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Vanishing Dreams: The Economic Plight of America's Young Families

Shrinking incomes and soaring poverty are devastating young families with children. Grave trends since 1973 won't be easy to reverse, but the nation can no longer afford to neglect its future.

CHILDREN'S DEFENSE FUND AND NORTHEASTERN UNIVERSITY'S CENTER FOR LABOR MARKET STUDIES

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VANISHING DREAMS: THE ECONOMIC PLIGHT OF AMERICA'S YOUNG FAMILIES

Introduction

Throughout American history most young families have struggled, to some degree, to get a foothold in the job and housing markets and embark on the path toward the American dream. Most older adults remember leaner times — years when they worked hard to establish a career, to start a family, and to purchase a home. They also often remember it fondly as a time of hope and opportunity. Typically, young adults were confident that within a short period the future would bring enough financial security to build strong families. And as a nation, we generally assumed that each future generation of young families would be better off than its predecessors.

That time may now have passed us by. During the past two decades, the economic struggle for many young Americans has become desperate. Today's young families are bearing the brunt of massive economic and social change and an increasingly unequal apportioning of the nation's loss in jobs and incomes.

The current generation of young adults is no less educated, motivated, or responsible in most areas of life than its predecessors. As a group, they are more likely to complete high school, enroll in college, delay childbearing, and prepare for their futures than the generations before them. But in fundamental ways, the rules of the game have changed. Young Americans now are less able to build an early foundation for their own economic security, form stable families, provide adequate support for their children, or have hope and confidence in the future. In the process, they as a group increasingly are falling further behind older Americans.

In 1988 the Children's Defense Fund and Northeastern University's Center for Labor Market Studies published *Vanishing Dreams: The Growing Economic Plight of America's Young Families.* The report documented that young families with children in 1986 were far worse off economically than the previous generation. This report provides a new look at America's young workers and families, using more recent data from the U.S. Census Bureau and the U.S. Bureau of Labor Statistics. The data show that young families with children were barely helped at all by the economic growth of the mid- to late-1980s, and that the tiny gains they achieved during this period were more than wiped out in 1990 by the effects of the current recession. Families without children actually achieved modest gains between 1973 and 1990.

The huge economic losses sustained by young families with children since 1973 do not reflect short-term or cyclical trends that will be reversed quickly or easily. They are the product of sweeping changes in the U.S. economy and the American family, with far-reaching consequences for children and for the nation.

Young families — those headed by someone younger than 30 — numbered 9.0 million in March 1991. Young families are the crucible for America's next generation of children and youths: Most children spend at least part of their lives — their earliest and most developmentally vulnerable months or years — in a young family. Two in three young families in 1991 had at least one child. In total, young families contained 10.6 million children — one in six of all American children — and more than one-third of all children younger than six.

Children in young families will be the workers, leaders, parents, taxpayers, soldiers, and hope of America's twenty-first century. The nation neglects them at its peril.

Yet young adults increasingly are forced to

(continued on page 5)

SUMMARY AND KEY FINDINGS

Young families always have faced an uphill struggle starting out in life, with a considerable gap between them and older, more established families. But today's young families have been so battered by economic and social changes that the hill is becoming impossible to climb and the gap has widened into a chasm.

Between 1973 and 1989 — two years when the business cycle reached its peak — young families with children (those headed by persons younger than 30) suffered terribly. Poverty among children in young families skyrocketed as the median income (after adjusting for inflation) of such families plunged. The much-heralded period of economic growth from 1982 to 1989 bypassed young families, and they now are suffering dramatic additional losses from the current recession.

These trends pose grave threats to the more than one-half of all American children who start their lives in young families and who are becoming poorer and poorer — both absolutely and in relation to the rest of the nation. Older families with children hardly prospered between 1973 and 1990, but they avoided major economic losses. Families without children actually achieved modest gains during this period.

Income

- After adjusting for inflation, the median income of young families with children plunged by nearly one-third — 32 percent — between 1973 and 1990. For older families with children it dropped by 6 percent, and for families without children it increased by 11 percent.
- These income losses have affected virtually every group of young families with children: white, black, and Latino; married-couple and single-parent; and those headed by high school graduates as well as dropouts. Only young families with children headed by a college graduate experienced a slight increase in their median income between 1973 and 1990.
- The greatest part of these income losses for young families with children occurred during the 1980s. Their median income fell by 19 percent as a result of back-to-back recessions in 1980 and 1981-1982, and rose by an insignificant 1.4 percent during the remainder of the decade. Then the current recession sent young families with children into an economic freefall, with their median income plunging by 9 percent in a single year from 1989 to 1990.
- The median income for young families with children was more than two-thirds that of older families with children in 1973; by 1990 it had fallen to less than one-half.

Poverty

- As a result of these income losses, the poverty rate for children in young families doubled — from 20 percent in 1973 to a shocking 40 percent in 1990.
- In virtually every critical area of development and healthy maturation, child poverty creates major roadblocks to individual accomplishment, future economic self-sufficiency, and national progress. Studies show, unsurprisingly, that a poor child is more likely than a nonpoor child to go without necessary food, shelter, and health care and to die in infancy. Poor children also are less likely than nonpoor children to be in good preschool programs or child care settings, and more likely to fall behind in school, drop out, get pregnant too soon, and be unemployed or sporadically employed.
- Dramatically increased child poverty in young families does not reflect only the problems of America's most vulnerable groups, although the child poverty rates for young black families (68 percent), young Latino families (51 percent), young female-headed families (77 percent), and young families headed by high school dropouts (64 percent) are astronomical. Between 1973 and 1990 child poverty rates more than doubled in young white families (to 27 percent in 1990), young married-couple families (to 20 percent), and young families headed by high school graduates (to 33 percent).
- More than half of the increase in the number of poor children in America since 1973 has been the result of falling incomes and rising poverty among young families.
- The economic plight of young families is a national, not an urban or a regional, problem. Nearly three-fourths of the increase in the number of young families with children living in poverty has occurred outside the nation's central cities. Young

families with children in every region of the country suffered sharp declines in median income and steep increases in poverty between 1973 and 1989, even before the current recession further battered regional economies.

Causes

Young families are in trouble because of a devastating combination of profound changes in the American economy, government's inadequate response to families in trouble, and changes in the composition of young families themselves.

• Slightly less than one-half of the increase in poverty among young families and children between 1973 and 1989 (before the start of the current recession) can be attributed to economic shifts and government policies that have made it more difficult for young families to obtain adequate incomes. These changes have hurt all young families with children, regardless of their family structure, race or ethnicity, or educational attainment.

• Staggering declines in the annual earnings of heads of young families with children between 1973 and 1990 played a major role in pushing poverty rates higher: For all heads of young families with children, annual earnings (after adjusting for inflation) plummeted by 44 percent. These earnings losses were dramatic for heads of young white families with children (40 percent), for high school graduates heading young families with children (41 percent), and for heads of young married-couple families with children (33 percent).

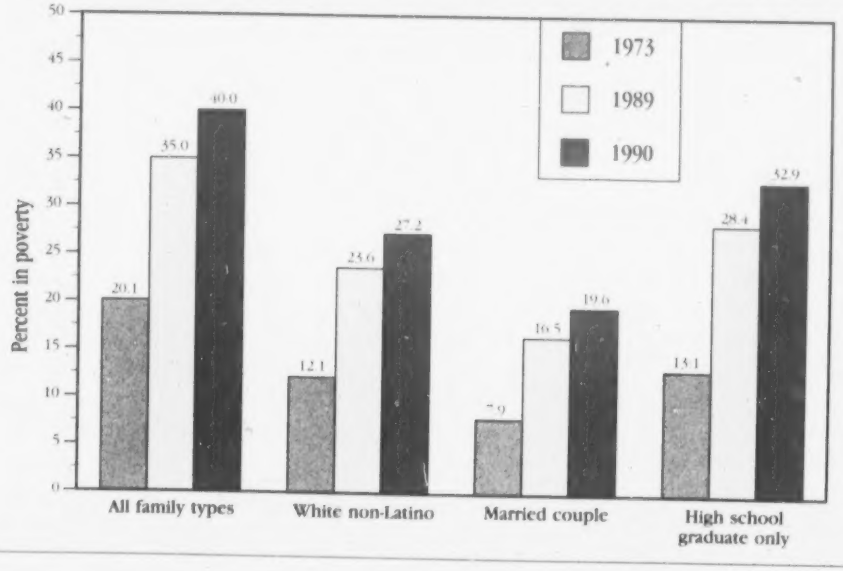
• The rest of the increase in poverty among young families and children reflects changing family composition. Today's young family heads are somewhat better educated than those in the generation preceding them, but they also are more likely to be minorities or single women struggling to raise children on their own. Because these groups have considerably higher poverty rates to begin with, poverty among young families and children rises as their share of the total pool of young families rises.

• The growth in young female-headed families with children is in part a reflection of changing values. But the economic hardships associated with falling earnings and persistent joblessness among young adults also have contributed significantly to falling marriage rates and the increasing rates of out-of-wedlock childbearing.

• Increases in poverty among young families with children are not the result of young Americans having more children. Indeed, young families as a group have responded to a tightening economic vise by postponing childbearing and choosing to

Figure 1

POVERTY RATES OF CHILDREN IN YOUNG FAMILIES, BY CHARACTERISTICS OF THE FAMILY HEAD, 1973, 1989, 1990



have fewer children. But these attempts to adapt their behavior have been overwhelmed by the sweeping economic and social changes that now jeopardize young families with children.

Recommendations

America's young families cannot wait another year for a response to the economic disaster that has struck them. While the deterioration of their economic status will not be reversed quickly or easily, immediate steps must be taken by Congress in 1992 to ensure that every child has a Fair Start, a Healthy Start, and a Head Start:

- *Enactment of a refundable children's tax credit.* As proposed in recent months in various forms and amounts by the National Commission on Children and key members of Congress from both parties, the federal government should bolster the incomes of families with children through the establishment of a refundable tax credit for children. Such a credit would reduce federal income taxes for middle- and low-income families and help the lowest income families that have no tax liability through a tax refund. While creating no new bureaucracies, a refundable children's credit would target tax relief and economic support precisely to the group — families with children — that has been hardest hit by declining incomes and rising poverty rates since 1973.

- *Creation of a child support assurance system.* To combat extremely high poverty rates among young female-headed families and to give all single parents the chance to lift their families out of poverty through work, federal and state governments should join in assuring that all children who are not living with both parents receive a minimally adequate child support payment from the absent parent. If adequate payments cannot be collected on the child's behalf, despite the best feasible federal and state child support enforcement efforts, the federal government should make up the difference and guarantee that children do not suffer as a result of the shortcomings of the child support system.

- *Health insurance coverage and access.* The nation must enact a national health plan to ensure insurance coverage for all Americans. Children and pregnant women need basic health care now — including prenatal and maternity care, checkups, immunizations, and care for children who are sick or disabled. As an immediate step, the president and Congress must extend Medicaid coverage to every low-income child and pregnant woman. Steps also must be taken to ensure that this insurance provides real access to essential health services, not merely theoretical coverage. Necessary steps include universal access to childhood vaccines and increased funding for community and migrant health centers, the National Health Service Corps, and other public health activities.

- *Full funding of Head Start.* A first step in bolstering the productivity of our next generation of workers lies in early investments in education for America's children. Head Start and other quality preschool and child care programs help keep children at grade level, help children get ready for school, and help prevent the need for costly special education programs in later years. Yet Head Start still reaches only one in three eligible preschool children. As recommended by prominent business groups, educators, and a broad range of study commissions that have examined the educational problems of disadvantaged children and youths, the president and Congress should act to ensure every child a Head Start by 1995 by enacting immediately S. 911, the School Readiness Act, and accelerating the funding increases it provides to boost the program's appropriation by $2.1 billion this year.

Numerous other steps, detailed further in the Recommendations section on page 26, are necessary to help today's young families with children and provide a strong foundation for future generations. Increases in the federal minimum wage, expanded health insurance coverage and access to health care, and other initiatives to supplement low earnings all would help young parents support their children through work. Greater investments in the skills and productivity of America's future work force through education and job training programs also are essential. Finally, the nation must maintain an adequate safety net to protect children when their young parents are unable to support them by aggressively pursuing full employment conditions, broadening eligibility for unemployment compensation, and ensuring that AFDC benefits are minimally adequate.

(continued from page 1)

make a difficult choice between perilous economic insecurity for themselves and their children and postponing or perhaps forsaking plans for childbearing altogether. American families with children receive so few public and private supports that changes in the labor market and in family structure have left millions of young parents and their children virtually defenseless against the ravages of poverty.

The implicit message to many young Americans is frighteningly clear: bearing and raising children may no longer be compatible with active pursuit of the American dream. No society can convey this message for long if it hopes to survive and prosper.

FALLING INCOMES AND GROWING POVERTY

Young families with children entered the 1990s with incomes far below those enjoyed by the preceding generation in the early 1970s. After adjusting for inflation, the median income of these young families in 1990 was nearly one-third — 32 percent — below the median for such families in 1973. [1]

These income losses have affected virtually every group of young families with children: white, black, and Latino; married-couple and single-parent; and those headed by high school graduates as well as dropouts. The only young families with children who experienced a gain in median income during the 1973-1990 period were those headed by college graduates — and their gain was tiny.

While the start of the recession in 1990 made these income losses worse, it was not the principal cause of the economic plight of young families. Even between 1973 and 1989 — two "good" years, when the nation was at the peak of business cycles the median income for young families with children fell by more than one-fourth (26 percent).

Nor are these huge losses simply a reflection of stagnating wages and family incomes for Americans of all ages. On average older families have maintained their standard of living since 1973 while the economic foundation for young families with children has crumbled.

In some ways this crisis is hidden from view. Young adults have a sense of unease about their prospects but may be unaware of how much economic ground they have lost. They never have known the same economic prospects or opportunities that their predecessors enjoyed in the early

[1] Income includes the total earnings from employment of all family members as well as property income, child support, or any cash transfer payments (such as disability benefits, unemployment insurance, welfare, or Social Security) obtained by a family over the course of a year. Income does not include certain in-kind benefits such as the value of food stamps or health services paid for by public or private insurance.

PROFILE OF AMERICAN FAMILIES, MARCH 1991*

	Family Head Younger than 30	Family Head Age 30-64
Total number of families	8,986,000	46,424,000
Number of families with children	6,066,000	26,190,000
Proportion of families that have children	67.5%	56.4%
Total number of children	10,632,000	50,326,000
Number of children younger than six	7,551,000	13,587,000
Average number of children in families with children	1.75	1.92

* NOTE: This table excludes data on young families that live in someone else's household. For a discussion of these subfamilies, see box on page 7.

CHARACTERISTICS OF YOUNG FAMILIES WITH CHILDREN, MARCH 1974 AND MARCH 1991

	1974	1991
White, non-Latino	77%	65%
Black, non-Latino	15	19
Latino	7	13
Other, non-Latino	1	2
Married-couple	82%	62%
Male-headed	1	4
Female-headed	18	33
Student	2%	4%
High school dropout	26	25
High school graduate	46	48
Some college	15	16
College graduate	12	8
Household head younger than 20	2.9%	2.5%
Household head age 20-24	31.0	25.9
Household head age 25-29	66.1	71.7
Average number of children	1.71	1.75

1970s — rather than seeing their own personal incomes shrink by 32 percent, as a group they simply are starting out one-third behind the previous generation. Yet these dramatic changes now threaten the futures of two entire generations of Americans — today's young adults and their children.

The 1980s devastated young families with children

The greatest part of these income losses for young families with children occurred during the 1980s. They lost 9 percent from 1973 to 1979, but back-to-back recessions in 1980 and 1981-1982 slashed their median income by an additional 19 percent just between 1979 and 1982.

The benefits of sustained economic growth during the remainder of the 1980s barely reached young families with children at all, lifting their median income by an almost insignificant 1.4 percent during the entire seven years from 1982 to 1989. Then the onset of the current recession sent the incomes of these families into yet another freefall: their median income dropped by 9 percent in a single year between 1989 and 1990.

As a result, the median income of young families with children in 1990 was far below even its level after the back-to-back recessions of the early 1980s. Since 1990 had only a few months of recession at the beginning of the economic downturn, 1991 data likely will show further large drops when available late this year.

The losses inflicted on older families with children have been far more modest than those suffered by young families — their median income slipped by 6 percent between 1973 and 1990. While these older families lost substantial ground during the recessions of the early 1980s, they almost completely recouped these losses in the following seven years. Young families with children made no such gains after the recessions of the early 1980s ended.

Who escaped substantial income losses since 1973? Primarily families *without* children, particularly older families (see Figure 2). The median income of older families without children rose by 8 percent between 1973 and 1990. Even young families without children enjoyed a 5 percent gain in median real income during this period, with young childless families headed by college graduates seeing substantial improvements in their real income position.

MEDIAN INCOMES OF FAMILIES WITH AND WITHOUT CHILDREN BY AGE OF FAMILY HEAD, 1973-1990

(in 1990 dollars)*

	1973	1979	1982	1989	1990	Change 1973-1990
All families with children	$36,882	$36,180	$31,819	$35,425	$34,400	- 6.7%
Family head younger than 30	27,765	25,204	20,378	20,665	18,844	-32.1
Family head age 30-64	41,068	39,978	35,293	39,525	38,451	- 6.4
Young families' median income as a share of older families' income	68%	63%	58%	52%	49%	
All families without children	$32,384	$33,809	$31,521	$36,468	$36,020	11.2%

*NOTE: The money incomes of families for all years prior to 1990 were converted into 1990 dollars via use of the Consumer Price Index for All Urban Consumers (CPI-U). The U.S. Bureau of Labor Statistics also has generated an alternative price index for the years preceding 1983 that conforms to the current method of measuring changes in housing costs. This index is known as the CPI-UX1. Use of this price index would reduce the estimated 1973 real income by about 7 percent, thus lowering the estimated decline in the median income of young families between 1973 and 1990 from 32 percent to approximately 25 percent. None of the comparisons of median income between various groups of families are affected by these changes.

Poverty soars among children in young families

Because of the sharp decline in the real incomes of young families with children and increasing inequality in the distribution of incomes, more and more young parents and their children are living in poverty.

The poverty rate for young families with children jumped sharply between 1973 and 1990, more than doubling from 16 percent to 33 percent. During the same period, poverty among older families with children increased by one-third (from 9 percent to 12 percent). As a result, the gap between young families with children and older ones —

YOUNG FAMILIES THAT DON'T LIVE ON THEIR OWN

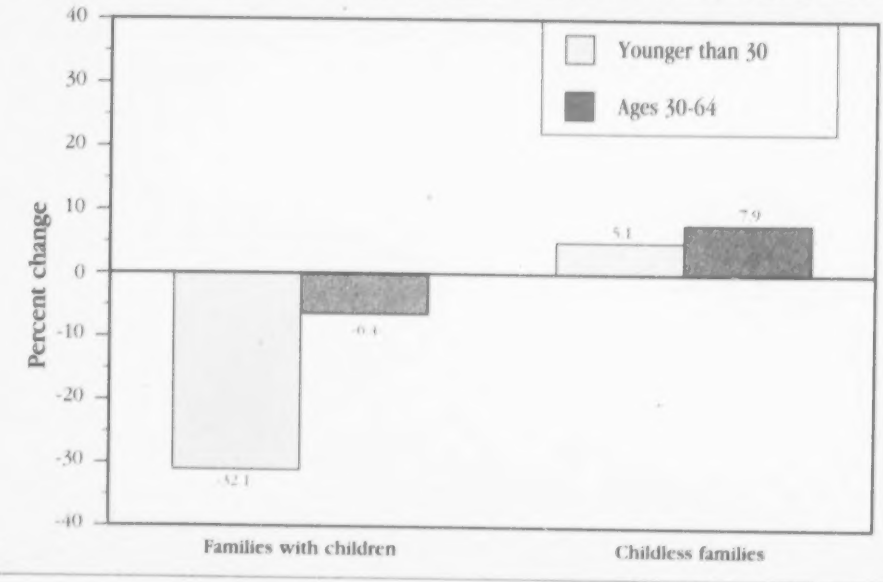
This report presents data about America's 6 million young *primary* families with children — families living in their own households. Young families living in someone else's household are called *subfamilies*.

In March 1991 there were 1.5 million young subfamilies with children. These subfamilies had a total of nearly 2.3 million children — more than one-fifth as many children as are living in young primary families. The data available about young subfamilies reveal that the economic plight of young parents affects an even larger number of children than the data in the rest of this report indicate.

Most young subfamilies with children (81 percent) live with relatives, typically in households headed by one of the children's grandparents. These living arrangements can be very supportive, particularly for very young parents, and some young parents simply may prefer to live as part of a larger household. But the large majority of young subfamilies with children have incomes so low that they cannot afford to live on their own. In 1990, 72 percent of all children in young subfamilies would have been classified as poor if they were forced to depend solely on the income of their parents. More than 80 percent of young subfamilies are headed by parents in their twenties — an age by which living in a separate household is a reasonable expectation.

Figure 2

CHANGE IN INFLATION-ADJUSTED MEDIAN FAMILY INCOME, BY AGE OF FAMILY HEAD AND PRESENCE OF CHILDREN, 1973 TO 1990



measured in terms of their respective poverty rates — has widened dramatically.

Poverty among all families without children actually fell from 6.4 percent in 1973 to 5.5 percent in 1990. Young families with children now are more than twice as likely as the average American family with children, and six times as likely as families without children, to be poor.

Predictably, the sharpest increases in poverty among young families with children coincided with their greatest income losses. Their poverty rate rose modestly during the 1970s but soared during the early 1980s. The economic recovery that followed the recessions of 1980-1982 failed to reverse this damage to young families with children — their poverty rate actually *increased* slightly between 1982 and 1989 despite seven years of sustained economic growth. The first months of the current recession then dealt another crushing blow to young families with children, pushing their poverty rate considerably higher in a single year (from 29 percent in 1989 to 33 percent in 1990).

Overall, more than three-fourths of the increase in poverty rates among young families with children since 1973 occurred after 1979, almost exclusively during recession years (see Figure 3).

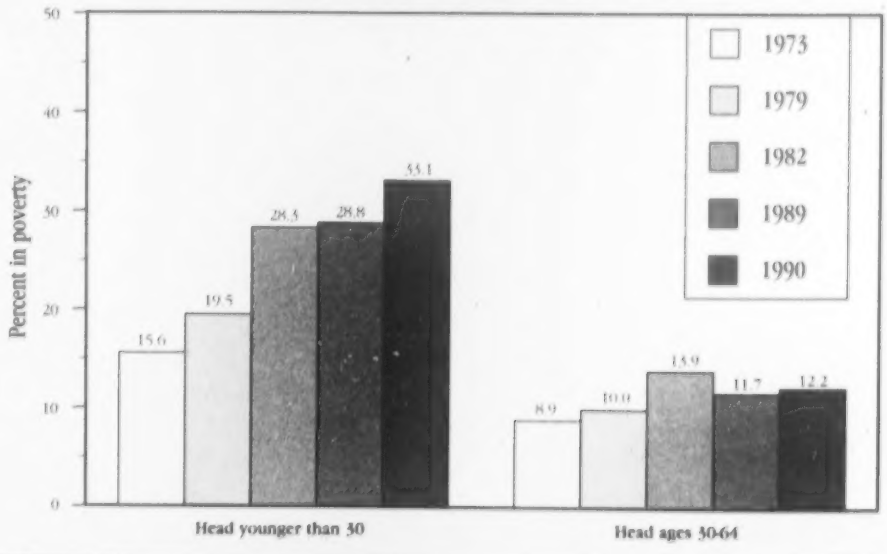
The impact of these trends on children has been devastating. Two in every five children living in young families — 40 percent of all children in families headed by someone younger than 30 — were poor in 1990. [1]

Recessions now have a crushing impact on children, far more than in the past, pushing child poverty rates to new heights at such a rapid pace that many never recover during times of economic growth. Recessions added an average of 140,000 children in young families annually to the ranks of the poor during the 1970s, and that pace increased to 353,000 children annually in the 1980s. The pace increased in the recession year of 1990, when an additional 559,000 children in young families fell into poverty. At the same time, the economic recoveries of the 1970s and 1980s have shown virtually no ability to rescue these children from poverty. Growth periods reduced the number of poor children in young families by an average of no more than 5,000 annually in the 1970s and 1980s. (For a more detailed discussion of the changing impact of economic cycles on child poverty, see CDF's *Child Poverty in America*, May 1991.)

[1] Because large families are a bit more likely to be poor than smaller families, poverty rates are higher for children than for family units.

Figure 3

POVERTY RATES OF FAMILIES WITH CHILDREN, BY AGE OF FAMILY HEAD, 1973, 1979, 1982, 1989, 1990



For more disadvantaged groups of young families, including young black and Latino families and those headed by women and high school dropouts, poverty has become so pervasive that far more children in such families are poor than nonpoor.

In many ways, the economic plight of young families lies at the root of America's tragic child poverty problem. Young families contained more than one-third of all poor children in 1990, and their deteriorating economic status has pushed the nation's child poverty rates sharply higher. More than half of the increase in the number of poor children in America since 1973 has been the result of falling incomes and rising poverty among young families.

Unless and until the nation takes aggressive steps to strengthen and assist families with children, and especially young families, significant problems will continue to threaten the health, development, and well-being of an entire generation.

A national problem

The current recession has hit some regions of the country particularly hard, which may lead some people to assume that these regional problems are the source of the economic plight of young families. Indeed, the extent of income losses and poverty increases among young families since 1973 has varied significantly across geographic regions, and those variations reflect in large part how well or poorly each region fared during the past two decades.

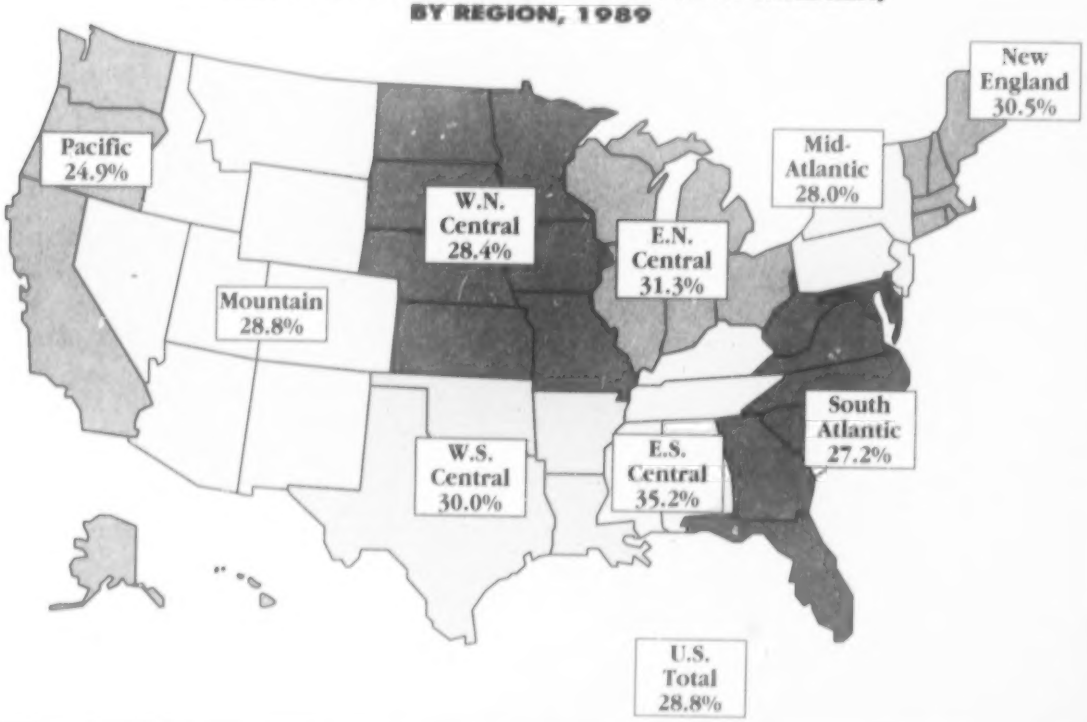
Nonetheless, the long-term problems of young families are national, not regional, in nature. Comparing two "good" economic years — 1973 and 1989 — to avoid regional disparities caused by the

CHILD POVERTY RATES BY AGE OF FAMILY HEAD, 1973 AND 1990

	1973	1990	Change 1973-1990
Family head younger than 30	20.1%	40.0%	+99%
Family head age 30-64	11.7%	15.1%	+29%
Ratio of child poverty rate in young to that in older families	1.72	2.65	

Figure 4

POVERTY RATES OF YOUNG FAMILIES WITH CHILDREN, BY REGION, 1989



recession, young families with children in every region of the country suffered sharp declines in median income and dramatic increases in poverty. For example, in 1973 the *highest* poverty rate for young families with children in any region was 21 percent (West South Central). By 1989 poverty among these families had increased to such an extent in every part of the nation (see Figure 4) that the *lowest* poverty rate for any region was 25 percent (Pacific).

The economic changes of the past two decades have narrowed differences in the status of young families across regions. The five regions with the lowest rates of poverty among young families with children in 1973 — the South Atlantic, East North Central, West North Central, East South Central, and Mountain regions — all experienced the greatest increases in poverty thereafter, with poverty rates in each region at least doubling. As a result, with the exception of the depressed East South Central region, the 1989 poverty rate for young families with children in every region fell within a narrow range, from 25 percent (Pacific) to 31 percent (East North Central).

There is a unique story about why each region's young families with children fared slightly better or worse than their counterparts elsewhere. But the striking story told by the regional data is how little it matters where in the country young families with children live. In every region, sweeping economic and social changes have undermined greatly the economic security of such families, creating a nationwide disaster that requires a national response.

WIDESPREAD STRUGGLES AND DECLINE

The income losses and resulting rise in poverty suffered by young families with children have been widespread, leaving few of them unaffected by tougher economic times. Most Americans' stereotypes of the poor — among them that poverty is concentrated almost exclusively among minority or single-parent families or families headed by high school dropouts — are simply wrong. The data on what has happened to young families with children provide even more compelling evidence that the rise in poverty in America cannot be dismissed as merely "their problem."

Since 1973 most of the fastest increases in poverty rates occurred among young white families with children, those headed by married couples, and those headed by high school graduates. For all three groups, *poverty rates more than doubled in a single generation*, reaching levels that most Americans commonly assume afflict only minority and single-parent families. In 1990 more than one in four children in young white families, one in five children in young married-couple families, and one in three children in young families headed by high school graduates were poor.

Nearly half (43 percent) of the increase in the number of young families with children living in poverty since 1973 is the result of rising poverty rates among young white families. Half of the increase can be accounted for by higher poverty rates among young families headed by high school graduates, and more than one-fifth by increased poverty among young married-couple families.

Dramatically rising poverty among young families with children also has not been confined simply to inner-city neighborhoods or large families. Nearly three-fourths of the increase has occurred outside the nation's central cities, and poverty has grown most rapidly among young families with only one child.

Still, despite the spread of the economic crisis to young white families, young married-couple families, and young families headed by high school graduates, it remains true that more disadvantaged groups of young families with children are in greatest jeopardy. These groups — including young families headed by high school dropouts, minority families, families headed by single women, and very young families (those headed by persons younger than 25) — had far more meager incomes even before the early 1970s, and have been forced into even direr circumstances by two decades of income losses and increases in poverty.

Income losses and education

Young families with children headed by persons without college educations have suffered dramatic income losses. The median income of those headed by high school dropouts fell by a stunning 46 percent between 1973 and 1990, and their poverty rate nearly doubled. In contrast, the median income of young

families with children headed by college graduates increased (albeit very slightly) during this period, and only one in 20 such families were poor in 1990.

While education makes a big difference, a high school diploma by itself has not shielded young families with children against income losses and rising poverty. The median income of young families with children headed by a high school graduate also fell by more than one-fourth between 1973 and 1990, and their poverty rate more than doubled.

The large income losses and sharp increases in poverty for young families headed by high school graduates are particularly disturbing because these young parents have followed the path that gave their parents economic security, remaining in school and earning their diplomas as they were expected to do. Yet despite these efforts, poverty rates have soared among young families with children headed by high school graduates not going on to college.

These trends place many children at great risk. Child poverty rates have increased dramatically in all groups of young families since 1973. By 1990 nearly two-thirds of all children in young families headed by high school dropouts, and one-third of children in young families headed by high school graduates, were poor (see Figure 5).

Minority families suffer most severely

The income losses suffered by young black and Latino families also have been severe. Since 1973 the median income of young families with children

POVERTY RATES FOR CHILDREN IN SELECTED GROUPS OF YOUNG FAMILIES, 1973, 1989, AND 1990

	1973	1989	1990
Young white families	12.1%	23.6%	27.2%
Young married-couple families	7.9	16.5	19.6
Young families headed by high school graduates	13.1	28.4	32.9

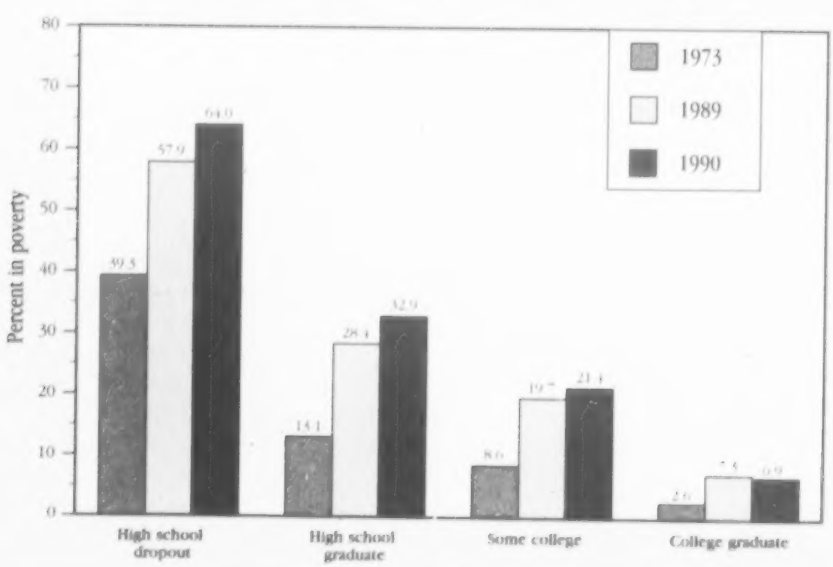
MEDIAN INCOMES OF YOUNG FAMILIES WITH CHILDREN BY EDUCATIONAL ATTAINMENT OF FAMILY HEAD, 1973 AND 1990

(in 1990 dollars)

	1973	1990	Change
High school dropout	$18,842	$10,213	-46%
High school graduate	28,410	20,000	-30
Some college	31,710	27,000	-15
College graduate	37,757	38,700	+ 3

Figure 5

POVERTY RATES OF CHILDREN IN YOUNG FAMILIES, BY EDUCATION OF THE FAMILY HEAD, 1973, 1989, 1990



has plummeted by one-half for blacks and more than one-fourth for Latinos.

The magnitude of these losses is staggering. Young black families with children now have less than an even chance of avoiding poverty. The median income for young black families with children was more than one-and-a-half times the federal poverty line for a family of three in 1973. In 1990 it had dropped to only 89 percent of the poverty threshold.

Staggering income losses suffered by young black families with children have left them with a less than even chance of avoiding poverty.

Young Latino families with children have fared only somewhat better. Their median income was less than two-thirds that of young white families with children in 1990, and they were nearly twice as likely to be poor.

While young white families with children also incurred major losses during this period, their median income began much higher than that of minority families and dropped more slowly. As a result, the income gap between young white and minority families with children has widened. For example, in 1973 young white families with children had a median income one-and-two-thirds times that of young black families; by 1990 it was two-and-a-half times blacks' levels.

MEDIAN INCOMES AND POVERTY RATES FOR YOUNG FAMILIES WITH CHILDREN BY RACE, ETHNICITY, AND FAMILY TYPE, 1973 AND 1990

(in 1990 dollars)

	Median income			Poverty rate	
	1973	1990	Change	1973	1990
White, non-Latino	$29,475	$23,000	-22%	10.2%	23.8%
Black, non-Latino	17,958	9,286	-48	37.9	57.9
Latino	19,704	14,200	-28	27.8	43.5
Other, non-Latino	25,825	15,908	-38	22.0	33.8
Married-couple	30,947	27,000	-13	6.2	14.8
Male-headed	18,547	16,000	-14	16.4	25.9
Female-headed	9,962	7,256	-27	59.0	68.1

Female-headed families

Young single-parent families with children always have struggled to secure an adequate income with which to support children. A combination of less education, more limited employment opportunities, lower wage levels, weak child support collections by public agencies, child care costs and responsibilities, and the presence of only one potential worker rather than two has prevented the typical single woman with children from achieving the type of economic security and stability that many married-couple families enjoy.

Yet the economic losses suffered by young parents during the past two decades have dealt another crushing blow to young female-headed families with children. Their median income, already less than one-third that of young married couples with children in 1973, fell by 27 percent between 1973 and 1990.

The great bulk of this income loss occurred in the early 1980s, as back-to-back recessions diminished job prospects and federal and state budget cuts reduced alternative forms of support available to female-headed families. Economic growth during the remainder of the 1980s barely reached young female-headed families, enabling them to raise their median income merely 1 percent between 1982 and 1989. The first months of the current recession in 1990 alone more than wiped out this tiny gain.

Not surprisingly, as the incomes of young female-headed families with children fell, their chances of being poor continued to rise. More than two-thirds of such families lived in poverty in 1990.

Young married-couple families with children also suffered a substantial income drop since 1973, losing one-eighth of their median income. This drop would have been considerably worse had it not been for increased work effort among women in such families. As the median earnings of men in young married-couple families with children fell by one-third between 1973 and 1990, more and more of these families tried to compensate by sending a second adult into the work force or increasing the second worker's hours of work.

Yet despite this extra work effort, young married-couple families with children have fallen further and further behind the generation that preceded them. Their median income also understates the hardships they have experienced because it fails to reflect the sharply increased child care costs that in most cases are unavoidable when both parents work and that further reduce the income available to meet the family's other needs. But even without counting these child care costs, the poverty rate for young married-couple families with children more than doubled since 1973. One in seven such families — and one in five children in such families — was poor in 1990.

Of course, single-parent families simply do not have the option to send a second adult into the work force, and women who head households in many cases cannot find or afford the child care they need to enter the labor market themselves. Recent research shows that an estimated 1.1 million mothers ages 21 to 29 were kept out of the labor force by child care problems in 1986, including one-third of all young mothers who never had worked outside the home. As a result of such barriers to employment, young female-headed families are extremely vulnerable and had little ability to compensate for declining wages between 1973 and 1990.

Very young families

The economic pressures battering young families with children have been even more intense for families headed by persons younger than 25.

While very young families with children always have had the greatest difficulty securing an adequate income, they still enjoyed a median income of more than $21,000 in 1973. Since then, however, their incomes have plummeted by 47 percent. In 1990 half of all such families had annual incomes of less than $11,200, barely above the poverty level for a family of three.

The consequences of these income losses for children have been tragic. Nearly three in five children in very young families lived in poverty in 1990 — double the 1973 level. Very young families now contain more than one in every four poor children younger than six in America.

Children in some subgroups of very young families face almost certain poverty. For example, 86 percent of children in families with a female head younger than 25, 82 percent of children in very young black families, and 75 percent of children in very young families headed by high school dropouts were poor in 1990.

VERY YOUNG FAMILIES WITH CHILDREN, 1973 AND 1990

(in 1990 dollars)

	1973	1990
Median income	$21,058	$11,200
Proportion of families in poverty	22.1%	50.4%
Proportion of children in poverty	28.0%	58.3%

PERCENTAGE OF YOUNG FAMILIES LIVING IN POVERTY BY EDUCATIONAL ATTAINMENT OF THE FAMILY HEAD, FAMILY STRUCTURE, AND PRESENCE OF CHILDREN, 1973 AND 1990

	1973	1990
College graduate heading married-couple family, no children	0.7%	0.9%
High school graduate heading married-couple family, no children	2.8	3.9
High school graduate heading married-couple family, one or more children	3.9	11.5
High school dropout heading married-couple family, one or more children	14.6	34.0
High school graduate heading female-headed family, one or more children	47.4	62.2
High school dropout heading female-headed family, one or more children	76.2	84.9

When many of the characteristics associated with the most vulnerable young families — low educational attainment, single parenthood, and the presence of children — are combined, the risks of poverty rise exponentially.

FACTORS UNDERLYING YOUNG FAMILIES' ECONOMIC PLIGHT

There is no single cause of the growing economic crisis confronting young families. They are in trouble because of profound changes in the American economy, government's response to families in trouble, and the composition of young families themselves. The combination for young families with children has been devastating.

Because the economy has unraveled for them, much of the deterioration in the economic status of young families with children would have occurred even if today's young families looked exactly like those in the generation preceding them. Family-supporting jobs increasingly are being replaced by jobs with wages and benefits that are inadequate to support the formation and maintenance of stable families — a shift that most hurts young adults just entering the work force. At the same time, government assistance programs have grown less effective in lifting low-income families and children out of poverty.

Yet young families also have changed. More young families with children today are headed by single women, lacking the strong base of economic and other supports more frequently provided when there are contributions from two parents. A growing proportion of young families with children also are black or Latino families, groups that suffer disproportionately low wages and high rates of poverty.

These economic and social changes are interrelated, making the impact of any specific change by itself difficult to assess. In simple terms, data analyses suggest that slightly less than half of the increase in poverty among young families and children between 1973 and 1989 (before the start of the current recession) can be attributed to economic shifts and government policies that have made it more difficult for young families to obtain adequate incomes. These changes have hurt all young families with children, regardless of their family structure, race or ethnicity, and educational attainment. The rest of the increase in poverty among young families and children reflects their changing composition between 1973 and 1989. Today's young family heads are somewhat better educated than those in the generation preceding them, but they also are more likely to be minorities or single women struggling to raise children on their own. The impact of rising single parenthood in particular has been considerable, although some of that, in turn, can be attributed to declining wages among young adults.

The sharp increases in family and child poverty between 1989 and 1990 are directly attributable to the onset of the recession. Rising joblessness and shorter hours of work among young parents reduced their annual earnings and pushed poverty rates for young families with children to new heights.

Young families have attempted to respond to a tightening economic vise by adapting their behavior. The number of children in young families with children has declined substantially since the early 1970s as young adults both postponed childbearing and chose to have fewer children. During this same period, women in married-couple families worked increasing numbers of hours outside the home, and more and more single mothers changed their living arrangements to reduce their living costs, often doubling up with grandparents. In the absence of these attempts to adjust, the economic losses suffered by young families with children would have been even greater.

But these changes in behavior cannot solve young families' economic problems. Young adults cannot adapt their living arrangements or childbearing patterns fast enough or thoroughly enough to cope with their rapidly deteriorating prospects in the wider economy. Nor should they have to. Their coping strategies have obvious limits and pronounced negative effects for this society's future: At some point, further efforts to increase parents' labor force participation, reduce family size, or double up in living arrangements become counterproductive or impossible.

Government can alleviate the economic plight of young families with children. Yet federal and state governments have failed to respond forcefully to the social and economic changes affecting young families and to the current recession. Rather than seeking to rescue young families, government has exacerbated their mounting problems by reducing help and weakening a safety net that might otherwise have bolstered their incomes and prevented them from falling into poverty.

Falling earnings

The first major reason why more young families are poor is that the annual earnings of young adults who head young families have been in a virtual freefall since 1973. Unlike members of earlier generations, young workers today no longer can be confident of finding stable jobs with decent wages simply by getting a high school diploma or by being willing to work hard and tolerate harsh working conditions.

As employment in manufacturing industries has declined and job growth has shifted to the retail trade and service sectors, advanced education and strong basic academic skills increasingly have become more important for success in the job market. Young men and women who lack these credentials — regardless of how hard they work — are more and more likely to be left without earnings adequate to support families. And even though today's young workers, on average, are better educated than their counterparts in 1973, their gains have not kept up with the downward pressures on real earnings of young workers in the changing job market.

These broader labor market trends are reflected vividly in the plunging annual earnings of young parents. Adjusted for inflation, the median earnings of all heads of young families with children fell by nearly one-half — a stunning *44 percent* — between 1973 and 1990. Part of this decline is due to a shift in the make-up of the families — the rising proportion of young families headed by women with child-rearing responsibilities and other barriers to employment. But even among young adults heading married-couple families, median annual earnings plunged by one-third during this period.

Since 1973, slow growth in U.S. productivity and declines in blue collar employment made some drop in inflation-adjusted median earnings for young workers inevitable. In 1991 the average wages of all nonsupervisory workers in the private sector fell to their lowest level since 1958. But the losses have been focused disproportionately on the young. The substantial drop in the median annual earnings of persons ages 30 to 64 who headed families with children between 1973 and 1990 (21 percent) was still only half of the cataclysmic decline in median earnings for young parents.

Dramatic earnings losses for young family heads occurred across the board. For example, young white families with children were hit as hard as young Latino families: the median earnings of both groups fell by two-fifths. But the drop in median earnings for young black family heads has been particularly devastating — more than two-thirds. In 1973 more than half of all young blacks heading families with children had annual earnings of about $14,000. By 1990 half of all young black family heads had earnings of less than $4,000.

Falling wage levels have been a key factor pushing down the earnings of young family heads. In 1979 only one in four hourly workers younger than 25 were employed at wage rates too low to enable them to support a family of three above the poverty line through full-time, year-round work. By 1991 more than half of all such young workers earned wages too low to lift a family of three out of poverty (see Figure 6).

The huge drop in wages among America's young workers has not received adequate attention. In part it has been obscured because so many young married-couple families have tried to compensate for lower wages by sending a second worker into the work force. That is one reason why the overall income loss for the median young family has been smaller than the drop in the earnings of the family head. But these second earners have only softened the economic blow a little, and the grow-

MEDIAN ANNUAL EARNINGS OF HEADS OF YOUNG FAMILIES WITH CHILDREN, 1973 AND 1990

(in 1990 dollars)

	1973	1990	Change 1973-1990
All heads of young families with children	$22,981	$12,832	-44%
Married-couple	25,907	17,500	-33
Male-headed	18,547	14,000	-25
Female-headed	2,073	1,878	-9
White, non-Latino	$25,024	$15,000	-40%
Black, non-Latino	13,860	4,030	-71
Latino	15,924	9,000	-44
Other, non-Latino	17,664	12,000	-32
High school dropout	$15,014	$4,500	-70%
High school graduate	23,817	14,000	-41
Some college	26,496	18,000	-32
College graduate	31,795	25,721	-19

ing number of young parents working longer hours or coping with two jobs has placed young families with children under tremendous stress.

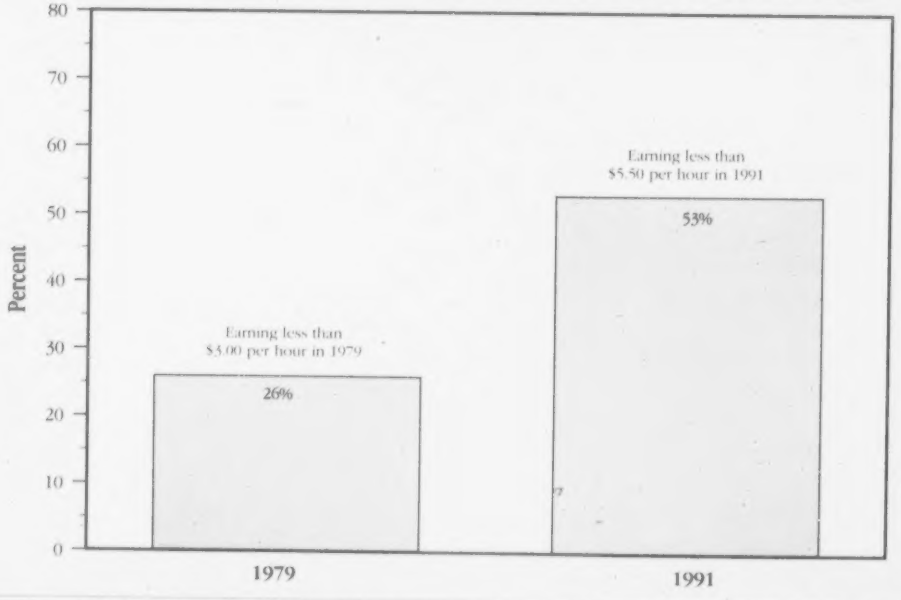
Why have wage levels fallen so much? The loss of better paying manufacturing jobs during the past two decades has played a role. Shifts in the distribution of employment have had the greatest impact on those just entering the work force — young workers, particularly young men without college education. While nearly 40 percent of all employed male high school dropouts and graduates between the ages of 20 and 24 had jobs in manufacturing industries in 1973, fewer than one-fourth did by 1990.

Yet the shift in jobs from manufacturing industries to the trade and service sectors is not the only change that has contributed to the sharp decline in young workers' earnings. Wage levels of young workers in expanding sectors did not keep pace with inflation. Between 1973 and 1990, the median real weekly earnings of full-time employed men and women younger than 25 fell by 30 percent and 16 percent, respectively. The failure to raise the federal minimum wage to keep pace with inflation between 1981 and 1990 also reduced the purchasing power of millions of low-wage workers, including disproportionate numbers of young adults. Even after congressionally mandated changes, the 1990 minimum wage was only 79 percent of the 1981 level adjusted for inflation.

Finally, the growth of part-time and part-year jobs also has forced increasing numbers of young workers to settle for considerably lower annual earnings and less secure employment. Even before the current recession, young workers without a college education who wanted permanent, full-time work were forced during most of the 1980s to accept part-time, part-year employment more frequently than in previous decades. These part-time, part-year jobs typically have no health insurance or other employer-provided benefits and limited prospects for advancement or permanence. While gains in full-time, year-round employment were made in the late 1980s, the current recession has reversed this trend. A total of 1.4 million workers younger than 25 were working part time involuntarily in 1990.

Figure 6

APPROXIMATE PERCENTAGE OF WORKERS YOUNGER THAN 25 PAID ON AN HOURLY BASIS WHO EARN LESS THAN POVERTY-LEVEL WAGES



NOTE: A year's worth of full-time earnings at $5.00 per hour in 1979 would have placed a family of three at 108 percent of the poverty line; $5.50 per hour in 1991 would have yielded earnings equal to 105 percent of the poverty line.

SOURCE: Bureau of Labor Statistics, unpublished tables. Calculations by Children's Defense Fund.

With real wages falling and more young workers forced to accept part-time or part-year work, employment increasingly provides a less certain way out of poverty for young families with children. Even full-time, year-round work by young parents does not ensure family-supporting wages. One in every 12 young families with children remained poor in 1990 despite having a full-time, year-round worker, up sharply from only one in 30 such families in 1973.

Changing composition

The other major factor fueling rising poverty among young families with children has been the growing proportion headed by minority parents or single women.

Young black and Latino parents are far less likely to have adequate earnings than young white parents. As the share of young families with children headed by minority parents has increased, the overall poverty rate for young families also has risen. In March 1974 fewer than one-fourth (22 percent) of all young families with children were black or Latino; by March 1991 nearly one-third (32 percent) were black or Latino.

Similarly, young women's wages are lower than those of young men, and female-headed families have far fewer alternatives to cope with economic adversity than do married-couple families. They do not have a second adult who can enter the job market to help support the children (unless they can obtain child support from an absent father), and even the earnings of the female head of household often are limited by the burden of fulfilling parental responsibilities alone. Because single-parent families have become a greater share of the total number of young families, the overall trends for young families with children have worsened.

The growth in single-parent families of all ages is the result of increases in both divorce and out-of-wedlock childbearing. Among young adults, it is the latter that has driven much of the change in the composition of young families.

Young women are not having more children than in previous generations. The total number of births to young women in 1989 actually was smaller than in 1970, and the average number of children in young families with children has remained basically unchanged during this period. But while births to young women two decades ago almost invariably were coupled with marriage, growing numbers of children today are born out of wedlock — the proportion of all children born to women younger than 30 who were born out of wedlock nearly tripled in just two decades, from 12 percent in 1970 to 33 percent in 1989 (see Figure 7).

The proportion of total births that were out of wedlock has increased among young women of all ages, including teenagers as well as women in their twenties. Yet the increases have been most rapid among the latter group, nearly quadrupling since 1970. Despite troubling increases in teenage childbearing in recent years, births to teenagers accounted for only one-fourth of the increase in out-of-wedlock births to women younger than 30 between 1970 and 1989. Social and economic changes affecting young adults in their twenties are the prime force driving the shift to single parenthood in young families.

The problem of out-of-wedlock childbearing crosses racial lines. There are one-and-a-third times as many white as black births to young women outside of marriage. (Separate data on out-of-wedlock childbearing for young Latino women are not available.) But the proportion of all births to young black women that are out of wedlock (71 percent) is much higher than for young white women (24 percent), making the social and economic plight of single parents and their children an even greater threat to the black community and its young families.

As a result of these trends in out-of-wedlock childbearing, the share of all children in young families who were being raised by a single mother grew from one in five in 1974 to one in three in

TOTAL NUMBER OF BIRTHS AND OUT-OF-WEDLOCK BIRTHS TO WOMEN YOUNGER THAN 30, 1970 AND 1989

	1970	1989
Total Births to Women Younger than 30	3,070,000	2,859,000
Women younger than 20	656,000	518,000
Women age 20 to 29	2,414,000	2,341,000
Total Out-of-Wedlock Births to Women Younger than 30	367,200	941,500
Women younger than 20	199,900	348,000
Women age 20 to 29	167,300	593,500

1990. More than three-fourths of children in young female-headed families were poor in 1990.

The growth in young female-headed families with children is in part a reflection of changing values. But the economic hardships associated with falling earnings and persistent joblessness among young adults also have contributed significantly to falling marriage rates and the increasing rates of out-of-wedlock childbearing.

The capacity to support a family has a powerful impact on the marriage decisions of young people. More than two centuries ago Benjamin Franklin wrote: "The number of marriages...is greater in proportion to the ease and convenience of supporting a family. When families can be easily supported, more persons marry, and earlier in life."

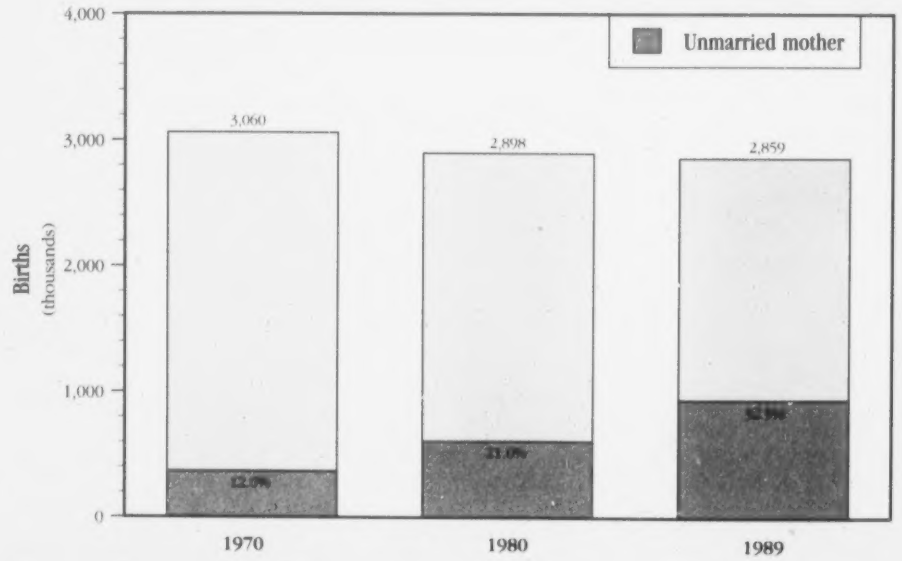
That economic calamities can cause a sharp drop in marriage rates, confirming Franklin's truth, can be seen in diverse cultures. City officials in Leipzig (formerly part of East Germany) recently reported that, in the months following the collapse of Communism, the number of marriages fell by 60 percent.

The influence of economic prospects on the decision to marry is rarely so overwhelming or so rapid, but the link is illustrated as well by marriage rates among young men in the United States. Young men with the financial ability to support a family are far more likely to be married, on average, than those without such ability. In 1990 men in their twenties who had earnings sufficient at least to lift a family of three above the federally defined poverty line were three to four times more likely to be married than those with below-poverty earnings.

This relationship between earnings and marriage explains part of the rise in out-of-wedlock childbearing among young women. From 1973 to 1990 the proportion of men ages 20 to 29 with below-poverty earnings increased by one-third. As the share of young men with such inadequate earnings rose, their marriage rates fell by 40 percent. At least one-fourth of the overall decline in marriage rates among young men, and between one-third and one-half of the decline for high school dropouts (who suffered the most severe earnings losses), can be attributed directly to the increased proportion of young men who had earnings that were inadequate to support a family.

Figure 7

TOTAL LIVE BIRTHS TO WOMEN YOUNGER THAN 30 AND PROPORTION TO UNMARRIED MOTHERS, 1970, 1980, 1989



Reduced government help

While the sharp drop in young families' incomes is overwhelmingly a result of changes in the job market and the composition of young families, federal and state government actions and inactions helped create and have exacerbated the problem.

Even in 1973, when the median income of young families with children reached its peak, the United States had just about the weakest set of public supports for families and children of any affluent Western nation. (By contrast, the United States had in place a well-developed if far from perfect safety net for the elderly.) With no national health insurance, no child allowances, no broadly available housing allowances, no parental leave (paid or unpaid), no broad apprenticeship or training programs for non-college-bound youths, and no significant system of child care help, young families with children were at a substantial disadvantage compared with their European peers and were particularly vulnerable to the profound economic and social changes that occurred during the 1970s and 1980s.

Federal programs that did provide help to families with children often were (and in most cases still are) poorly suited to meet the needs of young families. For example, because young adults have the shortest work histories they are less likely to be able to qualify for unemployment insurance benefits, which are tied to earnings in the work force. Even the Aid to Families with Dependent Children (AFDC) program has arbitrary barriers for some of the neediest young families with little prior work experience, requiring that at least one adult in a two-parent family be employed for six out of the previous 13 calendar quarters before the family can obtain assistance.

Public systems are especially inadequate to meet the needs of the growing number of children in young families who are born out of wedlock. The record of state and federal child support enforcement efforts for such children is dismal, and rules in Social Security and other public insurance programs still make it harder for children born out of wedlock to get benefits when their fathers die or become disabled.

As inadequate as public programs for young families with children were in the 1970s, they were further weakened by spasms of deep retrenchment. National economic turmoil and growing economic and political isolation and powerlessness among the young made attacks on these programs possible just as young adults and their families were beginning to suffer their largest losses in the private economy. Particularly in 1981 and 1982, the federal government targeted older teens, young adults, and young families for some of the largest cuts in the nation's safety net — social insurance as well as means-tested programs.

Food stamp benefits were reduced for all families, but some of the biggest AFDC and Medicaid reductions completely took out of the program pregnant women, 18- to 20-year-old students, and teen parents. Social Security benefits for college students whose parents were dead, disabled, or retired also were eliminated. The public job creation program authorized under the Comprehensive Employment and Training Act (CETA), which gave many young adults their start in the job market during the 1970s, was eliminated and federal job training funds were cut in half. Federal support for child care, vocational education, and summer youth employment programs all were reduced.

Although some of these funds and programs have been restored partially or even expanded since 1982, most have not. As a result, federal programs are less effective in helping disadvantaged teens and young adults get a solid start and in helping poor young families survive and escape poverty.

Notwithstanding their disastrous effects, however, the long-term impact of these budget cuts during the early 1980s pales in comparison to the profound consequences of the broader stalemate in social policy — the inability for more than two decades to respond to new realities and meet young families' new needs as the economy collapsed around them. That stalemate has made it impossible to compensate for declining wages and other benefits associated with employment, increasing skill requirements for better paying jobs, and rising rates of divorce and out-of-wedlock births. It has left young families increasingly impoverished, ill-housed, isolated, hopeless, and torn by the increasing stress of raising children with shrinking earnings.

The stalemate also has made it impossible to achieve major advances in social welfare policy — in effect, to catch up with our European counterparts and competitors — at precisely the time when improved supports for families with children were most needed. With only a handful of notable excep-

Figure 8

MARRIAGE RATES OF 20- TO 29-YEAR-OLD CIVILIAN MALES BY EARNINGS, 1973 AND 1990

(in 1990 dollars)

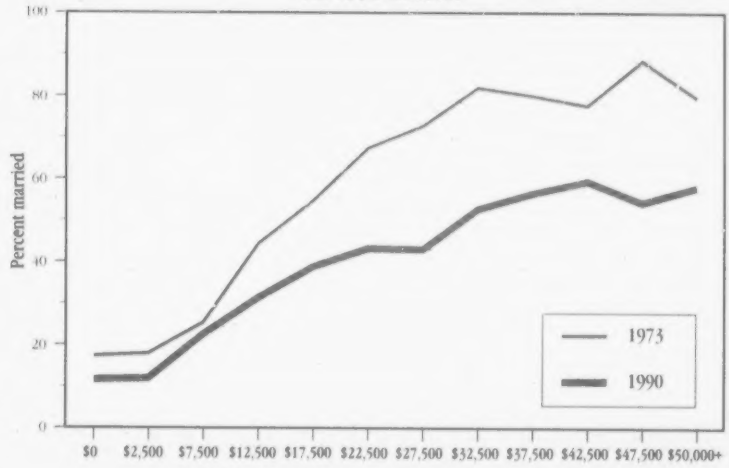
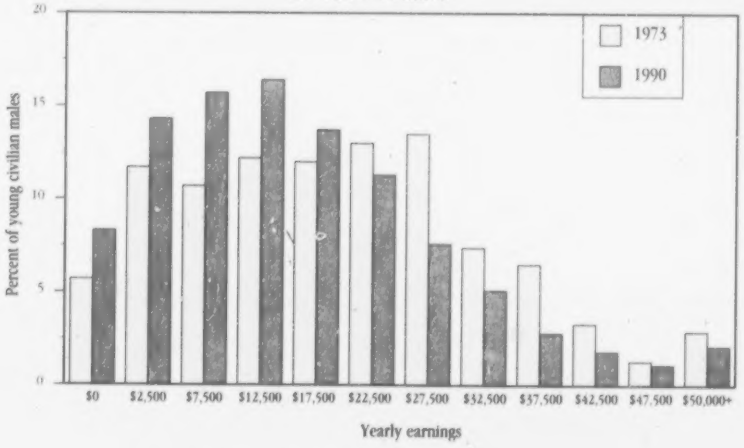


Figure 9

DISTRIBUTION OF 20- TO 29-YEAR-OLD CIVILIAN MALES BY EARNINGS, 1973 AND 1990

(in 1990 dollars)



EARNINGS AND MARRIAGE RATES

Young men at every earnings level were substantially more likely to be married in 1973 than they were in 1990 (see Figure 8). These declines in marriage rates within earnings groups reflect in large part changing attitudes toward marriage, increasing economic independence among young women, and decisions by increasing proportions of young Americans to postpone marriage until their thirties.

Yet these declines in marriage rates at every earnings level are only part of the reason why more young families with children are headed by single women. Between 1973 and 1990, young men also became far more likely to earn less than $20,000 annually (in 1990 inflation-adjusted dollars) — and as a result far more likely to fall into earnings groups characterized by very low marriage rates (see Figure 9). This shift toward lower earnings groups with lower marriage rates accounts for at least 800,000 fewer young married couples in 1990, or at least one-fourth of the overall decline in marriage rates among young men.

tions (the child support enforcement improvements passed in 1984 and 1988, Medicaid expansions, and the new child care programs passed in 1990 stand out), the federal and state governments have failed to respond to the new struggles of young families.

The erosion of protections for young workers under the federal–state unemployment insurance system provides a vivid illustration of the failure to respond to new realities. Changes in the labor market have increased the number of young workers employed in low-wage, part-time, or temporary jobs. These shifts, combined with federal and state budget cuts that restricted eligibility for unemployment insurance in many states, have reduced dramatically the proportion of young unemployed workers who receive benefits under the program. While 42 percent of all unemployed persons younger than 35 received unemployment insurance benefits in 1979, that proportion plummeted by more than half during the next decade to a mere 18 percent in 1990.

Similarly, a combination of federal and state budget cuts in the AFDC program and the failure to adjust AFDC benefits to keep pace with inflation has resulted in a dramatic decline in basic income assistance available to young families with children. For every 100 poor children, an average of 73 children received AFDC benefits during the 1970s; that number fell to 58 children by 1990. Even for families with children that do qualify for benefits, help has been slashed: The median state AFDC grant for a family of three with no income fell by 43 percent from 1970 to 1992.

As the proportion of young families with children with little or no earnings and headed by single women has grown since 1973, the sharp decline of AFDC benefits has played an increasingly important role in further impoverishing such families. In 1975 only 9 percent of all young families with children were forced to rely on AFDC or state general assistance programs for basic income support. By 1990 nearly one-fourth (23 percent) of all young families with children did so. The benefits young families receive through AFDC or general assistance programs are so terribly inadequate, and have fallen so steadily during this period, that federal and state policies governing these programs have made poor young families with children even poorer throughout much of the past two decades.

Given the erosion of help available to young workers and families through programs such as unemployment insurance, AFDC, and Social Security, it is hardly surprising that government cash benefit programs overall have grown less and less effective in protecting young families with children from falling into poverty. One in seven young families with children that otherwise would have been poor in 1979 was lifted out of poverty by government cash benefit programs. By 1990 these programs lifted out of poverty fewer than half as many — one in 15 — young families with children that otherwise would have been poor. Had the 1979 poverty reduction rate been maintained, nearly a quarter of a million additional young families with children would have escaped poverty in 1990.

Older families with children have suffered as a result of some of the same weaknesses in government programs, and fewer of them also were lifted out of poverty in 1990 than in 1979. But government cash benefit programs continue to be much more effective in reducing poverty rates among older families than young families. In 1990 the proportion of otherwise poor families with children headed by persons ages 30 to 64 that were rescued from poverty by government aid was more than twice as large as that of similarly young families.

Government programs will not be significantly more effective in combating poverty among young families with children or in meeting their related health, education, and social service needs until they are adapted to respond to new realities. The differences between young families today and those of earlier generations are enormous. Today, most typically, both parents or the only parent work but often in lower paid, temporary, or part-time or part-year jobs, and often with limited or no health insurance and problems with child care arrangements. However, private and public wages, leave policies, income assistance, health insurance, health care delivery, social services, child care, preschool, and

PROPORTION OF FAMILIES WITH CHILDREN LIFTED OUT OF POVERTY BY GOVERNMENT CASH TRANSFERS, 1979 AND 1990

	1979	1990
Family head younger than 30	15.2%	6.5%
Family head age 30-64	22.5	15.3

school systems often still have the same structures as they did two to three decades ago. Those structures no longer work well to suit the enormous need.

THE CONSEQUENCES OF FALLING INCOMES AND RISING POVERTY

Most American children spend some or all of their most important early developmental years in a family while their parents are younger than 30. As young families' economic plight has worsened, the consequences for children have been devastating. In 1990 millions of young parents had incomes too low to afford such necessities of life as adequate food, shelter, and health care.

Meeting children's basic needs

For young families and young children, poverty rates have soared. Two of five children in young families are poor, including more than one of four white children, two of three black children, and one of every two Latino children. Most of these children are infants, toddlers, and preschoolers.

These poor young families simply do not have enough to obtain even the basics. The cost of food and shelter alone illustrates their dilemma. In 1989 a low-income family of three needed $309 per month, according to U.S. Department of Agriculture estimates, to purchase foods that would provide a nutritionally adequate diet over the long term. At the same time, rent and utilities for a modest two-bedroom apartment, as estimated on a national basis by the U.S. Department of Housing and Urban Development, cost $482 per month in 1989.

These expenses for food and shelter together would consume virtually all available income for a young family of three at the poverty line. Such a family would have $33 left over for *all* other expenses, including bus or car expenses, telephone, furniture, clothes, insurance, school expenses, books or newspapers, personal toiletries, cleaning and other household supplies, and potentially large monthly costs for child care and health care — items that cost the average low- or moderate-income household hundreds of dollars every month.

These shortfalls pose impossible choices for poor families, especially those with incomes far below the poverty line. Some poor families get additional help paying for food and rent from food stamp and housing assistance programs. Yet more than one-third of all poor families do not get food stamps and about three-fourths do not get any type of housing assistance. The average poor family with children received only $141 worth of food and housing benefits per month in 1989, hardly enough to make up the shortfall.

Many poor families manage by cutting back on food, jeopardizing their health and the development of their children, or by living in substandard and sometimes dangerous housing. Some do without heat, electricity, telephone service, or plumbing for months or years. Many do without health insurance, health care, safe child care, or reliable transportation to take them to and from work. Confronted with impossible choices and inadequate basics, and lacking any cushion of savings or assets, both children and adults in poor families disproportionately suffer an erosion of their health, their hopes, their spirit, and their family togetherness. Many are just one illness, job loss, or family crisis away from homelessness or family dissolution.

Tragic consequences of child poverty

Studies show, unsurprisingly, that a poor child is more likely than a nonpoor child to go without necessary food, shelter, and health care and to die in infancy. Poor children are less likely than nonpoor children to be in good preschool programs or child care settings, and more likely to fall behind in school, drop out, get pregnant too soon, and be unemployed or sporadically employed. In virtually every critical area of development and healthy maturation, poverty creates major roadblocks to individual accomplishment, economic self-sufficiency, and national progress.

For some children, the consequences of poverty can be deadly. Several years ago the Maine Health Bureau found that poor children were more than three times as likely as other children to die during childhood. While the vast majority of poor children do not die from poverty, their health and development and eventual capabilities and productivity as

workers, parents, and citizens often are damaged by the deprivations of growing up poor:

- Poor pregnant women are more likely than other women to have received late or no prenatal care and to deliver low-birthweight babies, who are more likely to be disabled or to die in infancy.
- Poor children are less likely to receive key building blocks of early development — adequate nutrition, decent medical care, a safe and secure environment, and access to early childhood development programs to supplement learning opportunities in the home.
- Poor children are far more likely to be hungry. The Food Research and Action Center's Community Childhood Hunger Identification Project (CCHIP) projected in 1991 that 5.5 million American children younger than 12 — one in every eight in this age group — experience food shortages or do not consistently get enough to eat. Children who are hungry are more likely to suffer fatigue, dizziness, irritability, headaches, ear infections, frequent colds, unwanted weight loss, inability to concentrate, and increased school absenteeism.
- Poor children are far more likely to fall behind in school. The U.S. Department of Education found that, even for students from families with similar current incomes, those who had spent more years in poverty were significantly more likely to fall behind grade level.
- Teenage women who are poor and who have below-average basic skills, regardless of their race, are five and a half times more likely to have children than nonpoor teenage women with average or better basic skills.

Less access to preschool programs

Early childhood education programs play an important role in helping young children develop fully and enter school ready to learn. Yet preschool-age children in young families are far less likely to be enrolled in such programs than children in older families. In October 1989, 29 percent of all three- and four-year-olds in young families were attending preschool programs, compared with 44 percent of preschool-age children in families headed by persons ages 30 and older.

The enrollment of young children in preschool programs is linked closely to family income. Generally, only about one-quarter of three- and four-year-olds in families with incomes of $20,000 or less were in preschool, compared with nearly half of children in families with higher incomes. These correlations to family income suggest that reduced access to preschool programs is one more way in which the worsening economic prospects of young families leads to a stunted start in life for their children.

Home ownership — a traditional route to family stability and long-term security — is increasingly beyond the reach of young families.

Unaffordable housing

Another major consequence of the economic plight of young families with children is reflected in the increasing proportions that cannot afford to purchase their own homes and are forced to spend far too much of their incomes on rent.

Falling incomes (combined with rapidly rising home prices, particularly during the 1970s) have placed home ownership beyond the reach of all but a small fraction of young families. These trends now threaten to block this traditional route to family stability, long-term security, and middle-class identity — an integral part of the American Dream.

In 1973, 26 percent of the median income was needed to pay the mortgage, property tax, insurance, and maintenance costs of a typical new home for young families with children. By 1990 the same house would have consumed 48 percent of young families' median income. As a result, today's young families are much less likely than their predecessors to be homeowners. Nearly half (47 percent) of all young families with children were homeowners in March 1980; by March 1991 the proportion had fallen by one-third, to 32 percent (see Figure 10).

At the same time that many young families have been priced out of the housing market, the cost of renting has increased to become an intolerable burden for growing numbers of young families. From 1970 to 1989 the total number of renter households of all ages with incomes below $10,000 (in inflation-adjusted 1989 dollars) shot up by more than 3 mil-

lion, according to a recent report by the Center on Budget and Policy Priorities and the Low Income Housing Information Service. Meanwhile, the number of affordable units for low-income renters plunged by 1 million. (The federal government considers housing affordable if it consumes no more than 30 percent of a family's income, leaving the family enough income for food, clothes, health care, and other necessary items. By this standard, renters with yearly incomes below $10,000 cannot afford to pay more than $250 per month in rent.)

The result was a large and growing shortage of low-income rental housing. The 1973 surplus of 0.4 million low-rent units had shifted dramatically by 1989 into a shortage of 4.1 million low-rent units. Millions of low-income households were forced to pay rents they could ill afford. Young renters and homeowners with children have suffered even greater increases in housing cost burdens than have other American families.

Skyrocketing housing costs, falling incomes, and sharp reductions in low-income housing assistance by the federal government during the 1980s have had predictable results: Families with children have become a large and growing segment of the homeless population nationwide. By most conservative estimates, at least 100,000 children are homeless on any given night, and millions more are at perilous risk. Young families are at special risk because of their precarious finances and lack of affordable housing. For example, a survey by the Coalition for the Homeless in Pennsylvania found that three-fourths of homeless parents were younger than 30. Homelessness is devastating to the health, emotional stability, early development, and education of children (see *Homeless Families: Failed Policies and Young Victims*, by the Children's Defense Fund, for an in-depth analysis of the causes of homelessness among children and its costly outcomes).

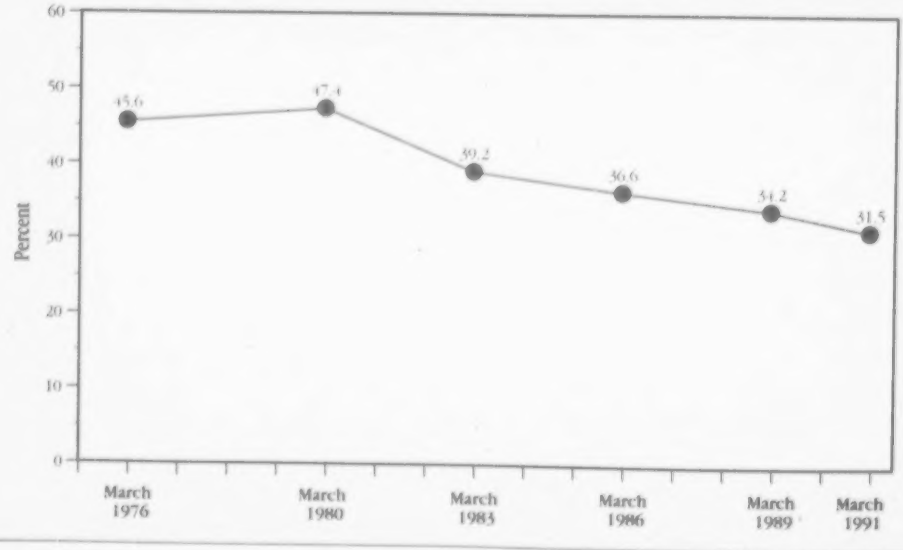
Lack of health insurance

Young adults are the least likely of any age group to have health insurance. Only two-thirds of all persons between the ages of 20 and 24, and three-fourths of those between the ages of 25 and 29, were covered by either private or public health insurance in 1990. In contrast, 80 to 85 percent of all Americans between the ages of 30 and 64 (as well as virtually all those older than 65 as a result of Medicare) had some type of health insurance coverage.

Most people younger than 65 who have health insurance in the United States obtain it through their jobs. Many employers pay part or all of the pre-

Figure 10

PROPORTION OF YOUNG FAMILIES WITH CHILDREN WHO OWN THEIR HOMES, SELECTED YEARS MARCH 1976 TO MARCH 1991



mium cost for permanent employees and (with decreasing frequency) their dependent spouses and children. Recent trends in the job market, however, have resulted in widening cracks in the current health insurance system — cracks that young workers and their families particularly are falling into because of the nature of their employment.

Between 1979 and 1989, the proportion of *employed* heads of young families with children who received health insurance benefits that were partially or fully paid for by their employers dropped sharply. Not surprisingly, losses in employer-financed health insurance coverage were particularly dramatic for young family heads without college degrees — their jobs suffered the greatest losses in terms of both wages and benefits in the 1970s and 1980s. Increases in part-time or temporary employment during the 1980s no doubt played a role in these declines. Even among all 20- to 29-year-olds who were employed full time, however, the drop in health insurance coverage over the past decade for high school dropouts and graduates not going on to college was quite steep.

As a result of these declines in employer-financed health insurance and the failure of public systems to compensate for these changes, nearly one in five young adults heading families with children (19 percent) had no health insurance coverage at all in 1990. Young Latino adults and young high school dropouts heading families with children were particularly likely to be without health insurance, as were heads of young families with incomes just above the federal poverty line. (Some, although by no means all, poor families with children are eligible for public health insurance through Medicaid.)

Health insurance coverage declined between 1979 and 1990 for all groups of young adults heading families with children. Yet because public health insurance through Medicaid has provided some safety net for poor young families with children, particularly those headed by single women, health insurance losses have been focused heavily on young married-couple families and young working families with incomes just above the poverty level.

The declines in health insurance coverage for young married-couple families reflect the unraveling of the employer-based private health insurance system for young, less skilled workers. For example, 82 percent of high school dropouts heading young

PROPORTION OF FAMILIES THAT PAID MORE THAN HALF OF THEIR INCOME FOR HOUSING, 1974 AND 1987

	1974	1987
All families regardless of age of household head or presence of children	3.7%	9.2%
Families with children headed by persons ages 25-29	4.9	18.3
Families with children headed by persons younger than 25	11.4	34.6

PROPORTION OF EMPLOYED HEADS OF YOUNG FAMILIES WITH CHILDREN WHOSE EMPLOYERS PAID FOR PART OR ALL OF THE COST OF HEALTH INSURANCE, 1979 AND 1989

	1979	1989	Change 1979-1989
All employed heads of young families with children	66.5%	53.6%	-19.4%
High school dropout	54.3	34.4	-36.6
High school graduate	68.0	56.5	-16.9
Some college	73.5	59.8	-18.6
College graduate	79.2	76.1	- 3.9

PROPORTION OF YOUNG ADULTS HEADING FAMILIES WITH CHILDREN WHO ARE COVERED BY HEALTH INSURANCE, 1979 AND 1990

	1979	1990	Change 1979-1990
All young family heads	89.0%	81.3%	- 8.7%
Married-couple families	89.8	79.5	-11.5
Male-headed families	69.6	61.7	-11.4
Female-headed families	87.5	87.2	- 0.3
White, non-Latino	90.2%	83.1%	- 7.9%
Black, non-Latino	88.8	86.9	- 2.2
Latino	81.3	65.2	-19.8
Other, non-Latino	79.4	76.9	- 3.2
High school dropout	83.1%	71.6%	-13.8%
High school graduate	90.3	82.2	- 8.9
Some college	91.1	87.5	- 3.9
College graduate	97.3	91.0	- 6.4
Family income below poverty	81.2%	77.5%	- 4.5%
Family income 100-124% of poverty	78.5	65.2	-17.0
Family income 125-149% of poverty	81.5	67.5	-17.1
Family income 150% of poverty and above	93.0	87.7	- 5.6

married-couple families with children had health insurance in 1979, but by 1990 only 59 percent were covered — a drop of more than one-fourth in a single decade. These losses are the result of very low and sharply falling health insurance coverage rates in industrial sectors most likely to hire young, poorly educated workers, including retail trade and construction.

The declining economic and insurance status of young families is responsible for a range of threats to the health of children, especially infants and toddlers. For example, because they are less likely to have health insurance or adequate insurance, the percentage of young pregnant women receiving adequate prenatal care has declined in recent years.

When mothers do not get early and adequate prenatal care, the consequences for their children are severe. Babies born to such women are at high risk of dying before their first birthday. They also face a much greater risk of being born at low birthweight and surviving with lifelong disabilities than babies born to mothers who received early and adequate prenatal care.

Lack of health insurance coverage for young families with children also has played a substantial role in America's growing childhood vaccination crisis. In the 1980s the proportion of preschool children (and these young children often are from young families) who were adequately immunized against preventable childhood illnesses declined significantly, with rates as low as 50 percent or fewer of all children immunized in some major American cities. The predictable result has been a soaring incidence of preventable childhood diseases, including measles, pertussis, and rubella.

RECOMMENDATIONS

America's future depends upon its ability to respond to the economic plight of young families. Young families will shape the future of the nation and the next generations of Americans. Their fate will determine in large part the fate of the nation's economy and social fabric for decades to come.

It is assumed that almost everyone will struggle and sacrifice somewhat when they leave school, marry, and start families. But the current combination of greater hours of work, falling wages, rising poverty, declining health insurance coverage, and increasingly unaffordable housing represents a set of higher and higher hurdles for young families that goes beyond any reasonable challenge. It is an invitation to despair. The implicit pact society has made in the past with young families — that personal sacrifice and hard work will be rewarded — is eroding. Increasing numbers of young Americans are stymied even before marriage, and the labors of many young adults (particularly those with limited formal education) yield fewer economic returns.

Sustained economic growth clearly is necessary but not sufficient to boost the incomes of young families in the 1990s and beyond. The benefits of sustained economic growth between 1982 and 1989 barely reached young families with children. Their meager 1.4 percent gain in median income during that period was more than wiped out in 1990 by just the first few months of the current recession. More focused public and private interventions are essential to help young families get a solid start.

Many of the steps necessary to rescue America's young families can be taken quickly. Others require long-term investment strategies throughout the 1990s, yielding lasting dividends for future generations of young families and the nation in the twenty-first century. Specifically, we must:

- *Restore a strong economic base that enables young families to support their children through work* by assuring a vibrant economy, establishing a refundable tax credit for children, creating a new system of child support assurance, raising the federal minimum wage, ensuring health insurance coverage and access to health care, and supplementing the earnings of low-wage parents to help them pay for basic necessities such as food, child care, and shelter;
- *Strengthen the skills and productivity of America's next generation of workers* by fully funding the Head Start program, providing the financial and technical support necessary to reform struggling schools, boost college enrollment and retention among disadvantaged students, and expand job training initiatives to help all young adults starting out in the labor market, especially those not going on to college; and

• *Maintain an adequate safety net to protect children when their young parents are unable to support them* by aggressively pursuing full employment conditions, broadening eligibility for unemployment compensation, and ensuring that AFDC benefits are minimally adequate.

Restoring the economic base

To ensure that young parents are able to support their children through work even when starting out in lower paid, entry-level employment, America needs to assemble a strong economic base for young families. This can be accomplished through the following steps:

First, as the National Commission on Children and key members of Congress from both parties have proposed, the federal government should bolster the incomes of families with children through the establishment of a refundable tax credit for children. Such a credit, like the children's allowances used by European countries to alleviate the financial burdens of raising children, would help provide a stable economic base for families (particularly young families just getting started) while still preserving strong incentives to work and support children.

A refundable tax credit for children would be simple, efficient, and fair. The credit (proposals have ranged from about $300 to $1,000 per child) would reduce federal income taxes for middle- and low-income families and help the lowest income families who have no tax liability through a tax refund. While creating no new bureaucracies, a refundable children's credit would target tax relief and economic support precisely to the group — families with children — that has been hardest hit by declining incomes and rising poverty rates since 1973. It also would make the federal tax code fairer by using a credit of equal value to all families with children to replace the current exemption for dependents, which helps the affluent far more than middle-class families and provides no help whatsoever to poor and near-poor families with children. Roughly one-fourth of all children and one-half of children in young families live in households that would receive no benefit from an increase in the personal exemption.

Second, to combat extremely high poverty rates among young female-headed families and to give all single parents the chance to lift their families out of poverty through work, much more energetic child support enforcement efforts and the development of a child support assurance system are essential. Such a system would reinforce the responsibility of every young parent to be the primary source of support for his or her children, while also providing needed income to many desperately poor single-parent families.

Federal and state governments together should ensure that all children who are not living with both parents receive a minimally adequate child support payment from the absent parent. Many young fathers could make significant child support payments if enforcement efforts were more effective. In cases in which fathers' incomes are too low or enforcement efforts are too weak to collect adequate payments, the federal government should make up the difference and guarantee that children do not suffer. Stronger child support enforcement, even if buttressed by a system of assured benefits, by itself still will not lift many young single-parent families out of poverty. Most of these families simply have incomes so far below the poverty threshold that they would remain poor even if they received very significant child support payments on a regular basis. Yet particularly if combined with a refundable children's tax credit, child support can provide an essential foundation on which young single parents can build in attempting to lift their families out of poverty through work.

Third, the nation must undertake new initiatives to ensure that workers' earnings are adequate to support families. The wage declines suffered by American workers, and particularly young workers, since 1973 have been so severe that the ability of millions of young people to form families and assume adult responsibilities now is threatened. Having all but abandoned in the 1980s the goal of preserving a "family wage" through federal minimum wage laws, the nation must return its attention in the 1990s to the essential task of bolstering the earnings of low-wage workers who are attempting to support families and children. Part of this challenge can be met by raising the federal minimum wage in incremental steps to at least $5.75 per hour by 1995. After nearly a decade of neglect, President Bush and Congress belatedly approved modest increases in the wage floor from $3.35 per hour in 1989 to $3.80

in 1990 and $4.25 in 1991. Yet these increases failed to recapture much of the ground lost to inflation since 1979, when the minimum wage was high enough to ensure that full-time, year-round work would lift a family of three out of poverty. In 1992 a full-time minimum wage worker employed throughout the year still will have annual earnings $2,400 below the official poverty threshold for a family of three.

A more complete response, however, to the problems of low-wage employment also must break the self-perpetuating cycle of low wages, weak financial incentives to work, and inadequate public and private investments in the employability and skills of large segments of the American work force. Poor women heading young families are particularly likely to be trapped in low-wage jobs that provide little incentive for increased work effort and no chance to earn enough to lift their children out of poverty. New education and training initiatives that

CHILDREN'S TAX CREDIT VS. PERSONAL EXEMPTIONS

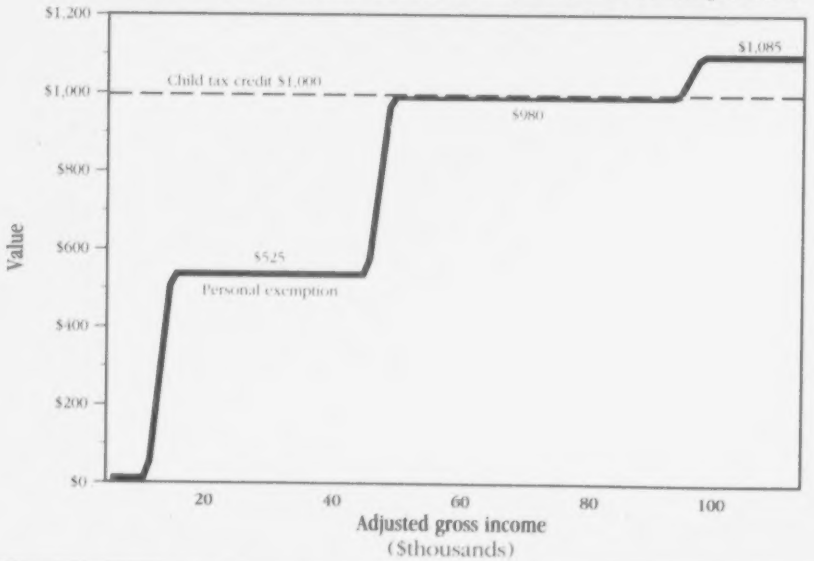
Two tax-related strategies to alleviate mounting economic pressures on families with children recently have gained national attention: creating a new children's tax credit and increasing the existing personal exemption for children. While the two approaches may seem similar, the exemption increase is regressive and only the children's tax credit would provide additional help to poor children and equitably treat families with children at all income levels.

Since a universal child credit would be "refundable," it would reach poor families that otherwise would have little or no federal income tax liability as well as middle-class and affluent families. In contrast, the current personal exemption for children is designed only to reduce the amount of taxes owed. Families that have so little income that they already owe little or no federal income taxes therefore would gain no additional help from increases in the size of the personal exemption.

Any increase in the personal exemption also helps moderate-income families less than it does the wealthy. Because an exemption reduces families' taxable incomes rather than their final tax bill, the amount of tax relief provided is much greater for more affluent families in higher tax brackets than for moderate-income families.

Figure 11

CHILD TAX CREDIT VS. PERSONAL EXEMPTION: VALUE FOR A FAMILY WITH ONE ELIGIBLE CHILD, 1991



Based on a child tax credit of $1,000 per child versus personal exemption of $5,500 per child.

lead more directly and effectively to employment in higher wage occupations — including new youth apprenticeship programs, expanded cooperative vocational/technical programs, and increased access to postsecondary education — are needed desperately to raise the productivity and earnings potential of young workers.

Fourth, immediate steps must be taken to ensure health insurance coverage and access to health care for young families and their children. Young adults and children are the most likely groups in American society to lack any health insurance coverage from a public or private source. To counter these trends, Congress and the states must reform both the public and private health insurance systems. At a minimum, Congress must enact this year a national health care plan providing all pregnant women and children adequate health coverage, plus initiatives to develop health services in medically underserved communities.

Fifth, given the likelihood that many young workers will continue in the foreseeable future to be employed in low-wage jobs that fail to provide economic security for young families, Congress should strengthen work incentives and help young families provide the basic necessities for their children by supplementing the earnings of low-wage workers. Basic steps to reach this goal include: immediate enactment of the Mickey Leland Childhood Hunger Relief Act to make critical improvements in the food stamp program; expansion of the refundable Earned Income Credit to give greater help to larger families; increased federal grants to states for child care assistance to working parents through the new Child Care and Development Block Grant; and changes in federal AFDC rules to allow welfare recipients to keep more of their earnings when they are able to work.

Finally, federal and state governments must act to meet the housing crisis for young families. A wide range of actions is necessary, including steps to help first-time buyers seeking access to the home-buying market and rental assistance for young families that cannot cope with soaring rental costs. Our society has vast experience with programs to expand home ownership — it is precisely what the nation did for young families after World War II through the GI Bill and other programs. What is needed now is a renewed commitment and a recognition of the importance of home ownership, along with a range of forms of assistance that will combat falling home ownership rates. In addition, we must reduce soaring rent burdens and growing homelessness by ensuring that young families have adequate incomes, replenishing the supply of affordable rental housing, and targeting increased rental assistance to families that cannot meet rising rental costs.

Strengthening skills and productivity

To avoid continuing deterioration of economic prospects for future generations of young families, America must increase its investments in the basic academic and vocational skills of today's children and youths. In some cases, these investments will yield immediate returns, boosting the earnings of young workers who are just entering the job market. Other investments will require more patience but will generate long-term savings well into the twenty-first century.

A first step in bolstering the productivity of our next generation of workers lies in early investments in education for America's children. Head Start and other quality preschool and child care programs help keep children at grade level, help children get ready for school, and help prevent the need for costly special education programs in later years. Yet Head Start still reaches only one in three eligible preschool children.

As recommended by prominent business groups, educators, and a broad range of study commissions that have examined the educational problems of disadvantaged children and youths, the president and Congress should act immediately to guarantee every eligible child a Head Start by 1995 and to preserve and enhance the quality of the program. Enactment of S. 911, the School Readiness Act, this year would increase Head Start funding by $1 billion annually and achieve full funding of the program by 1997. To prevent denying thousands of today's three- and four-year-olds a Head Start, Congress should accelerate funding increases in S. 911 and boost the program's appropriation by $2.1 billion this year in order to serve all children by 1995.

The important gains achieved by disadvantaged children through participation in Head Start and other quality preschool programs can be sustained only if they move on to attend effective elementary

and secondary schools. Tragically, millions of children attend schools that are starved of resources and fail to maintain high expectations that all children can learn. Sweeping changes in educational finance, accompanied by school-based reform efforts to make more effective use of available resources, now are essential to ensure that poor and minority children get an equal and high quality education and a foundation of strong basic academic skills. Full funding of the federal Chapter 1 program and new initiatives to expand community-based alternative learning centers for youths who do not succeed in traditional classrooms can play important roles in moving the nation toward this goal.

Young adults not going to college need strong job training initiatives to help them get started in the labor market.

Continuing efforts to boost college enrollment among poor and minority youths also are essential. A college education continues to be one of the best protections against declining incomes for young families. To ensure that young people from low-income families can attend college, the federal government should fully fund the Pell grant program and rely more heavily on grants rather than loan programs to prevent student indebtedness from rising to prohibitive levels. AFDC and Social Security benefits for students in their late teens — eliminated in 1981 in a shortsighted effort to achieve quick budget savings — should be restored. Federal support for programs that provide counseling, tutoring, and other supportive services to low-income students also should be increased to stimulate and maintain college enrollments.

Finally, young adults who are not going on to college — including both high school graduates and dropouts — need strong job training initiatives to help them get started in the labor market. At the federal level, Congress should both undertake a major expansion of the successful Job Corps program and enact key reforms in the Job Training Partnership Act (JTPA) to provide more effective education and training to disadvantaged youths. Performance standards in federal training programs also should be revised, placing increased emphasis on hours of work, weekly earnings, access to health insurance and other employer-provided benefits, and other measures of occupational quality to help ensure that young adults participating in such programs will be able to achieve adequate earnings.

Expanded resources to promote additional education and training of adults on AFDC under the current JOBS program also is essential. Many states currently are unable to generate matching funds required under federal law, leaving available JOBS funds underutilized.

In addition, the federal government should support new initiatives that demonstrate great promise in bolstering the skills of young adults. For example, new forms of youth apprenticeship should be tested on a substantial scale in an effort to adapt successful European models to fit American institutions and values. YouthBuild programs and service and conservation corps that engage young people in the construction and rehabilitation of affordable housing, environmental preservation efforts, and other valuable community improvement projects also offer promising strategies for investing in the skills and future productivity of America's young people. All such programs must be linked closely to the labor market to ensure that training received will be relevant to demands in the work place.

Maintaining a safety net

In addition to the efforts described above, America still must maintain an adequate safety net to protect children when their parents are unable to support them adequately through work because of widespread joblessness, family crises, or other barriers to employment.

The current recession provides a tragic reminder that economic downturns can devastate anyone's job prospects. Teenagers and young adults in particular have borne the brunt of net job losses since the spring of 1990. This loss of job opportunities, especially full-time jobs, and the related drop in labor market participation has denied many young adults the valuable work experience and skills that promote future career advancement and wage growth.

In response to these problems, the federal government should make public service jobs broadly available to young adults as a countercyclical measure to offset private sector job losses during peri-

ods of recession. These job creation efforts should place particular emphasis on providing employment opportunities for high school dropouts, heads of young families, and young parents with child support obligations. Sustained efforts to reduce levels of unemployment would strengthen the labor force attachment of young adults and expand both full-time and year-round job opportunities for them.

For those who find themselves temporarily out of work, the floor provided by unemployment insurance should be mended and strengthened to ensure that young adult workers with a substantial attachment to the labor force can qualify for benefits. After a decade of budget cuts and eligibility restrictions at the federal and state level, unemployment benefits now are rarely available to young workers.

Even with a stronger unemployment insurance system, however, some families — including many young families — will need a safety net during periods of prolonged joblessness or family crisis. While the federal–state AFDC program is intended for this purpose, rapidly falling AFDC benefits and large budget cuts in AFDC and other social programs during the early 1980s that were in many ways targeted on young families have had a devastating effect. Young female-headed families in particular have suffered large losses in family income during this period.

AFDC benefits must be raised to levels more nearly adequate to meet the costs of raising a family. The federal government should provide the stimulus for such efforts by mandating that states over time provide AFDC payments that, when combined with food stamps, lift families to at least 75 percent of the poverty level. In addition, arbitrary time limits and restrictions on eligibility for two-parent families under the AFDC-Unemployed Parent program — which now deny benefits to needy families if the principal wage earner has not been employed for at least six out of the previous 13 quarters (a requirement that is particularly difficult for young parents to fulfill) — should be removed.

APPENDIX

Notes on the data in this report

The data on which this report is based are drawn primarily from the Current Population Survey (CPS), a household survey conducted by the U.S. Bureau of the Census in cooperation with the Bureau of Labor Statistics.

The CPS provides a broad array of data on the labor market experience, earnings, and incomes of Americans and their families. Each month, a representative sample of approximately 60,000 households is selected for interviews by the Bureau of the Census. Although not every household contains a family (some households are composed of individuals living alone or unrelated individuals living together), nearly three-fourths of the nation's households are classified as families. The CPS is the source of the national unemployment statistics released monthly by the U.S. Department of Labor's Bureau of Labor Statistics.

In addition to the uniform monthly data collected through the CPS, a set of supplementary questions are asked each March concerning the work experience, earnings, and incomes of household members in the previous calendar year. By combining these data with demographic data on the structure and composition of families and the number of children living in them, it is possible to develop a fairly detailed picture of the changing economic status of American families over time.

Most of the trends examined in this report are based on comparisons of data for 1973, 1989, and 1990. As a starting point for these comparisons, 1973 was selected because it represents the most recent peak in inflation-adjusted family incomes and the low point for family poverty rates — the culmination of a quarter century of post-World War II economic growth. Similarly, 1989 represented the peak of the latest economic cycle following a long period of sustained economic growth. The year 1990 is the most recent for which data on annual earnings, family incomes, and family poverty are available.

All of the data on annual earnings and family incomes contained in this report are adjusted for inflation and expressed in 1990 dollars. Data from the Consumer Price Index for All Urban Consumers (CPI-U) was used to convert earnings and income data from years prior to 1990 into 1990 dollars. Monthly estimates for the CPI-U are developed by the Bureau of Labor Statistics. The average annual value of the CPI-U in 1990 was three times greater than in 1973.

The CPI-U is the standard inflation index used by the federal government to calculate annual cost-of-living adjustments and by the U.S. Census Bureau in its analyses of annual income and poverty data. Some analysts have argued that the CPI-U overstated actual increases in the cost of living during the 1970s by incorporating higher mortgage interest rates into the costs of housing even for existing homeowners who may not have been affected by such increases. For young families, however, these criticisms have little relevance because most young families do not own their own homes and therefore are more likely to be affected by rising mortgage rates. In addition, the basic family living costs for young families — home ownership and rental costs, utilities, food, clothing, medical costs and other basic needs — rose faster than the CPI-U during this period, suggesting that the CPI-U does not overstate actual changes in the cost of living for such families.

A few sections of this report rely on data from sources other than the CPS in an attempt to illustrate some of the consequences of falling earnings and incomes among young families. In the discussion of home ownership costs for young families, data on home ownership trends and rental costs for young families are from the Joint Center for Housing Studies of Harvard University, Cambridge, Massachusetts. In the analysis of health insurance trends, data on private health insurance coverage among young adults are derived from the National Health Interview Survey conducted by the National Center for Health Statistics, U.S. Department of Health and Human Services. Data on out-of-wedlock childbearing are based on *Monthly Vital Statistics Reports* of the National Center for Health Statistics.

MEDIAN REAL FAMILY INCOME

Table 1

ALL YOUNG FAMILIES

Median Real Family Income in the U.S., by Type of Family, Race/Ethnic Origin of Household Head, and Educational Attainment of Household Head, All Families Regardless of the Presence of Children (in 1990 dollars)

	1973	1979	1982	1989	1990	Percent Change 1973-1990
All families headed by persons younger than 30	$29,440	$28,699	$24,443	$25,352	$23,600	-19.8%
Married-couple	31,934	32,569	28,782	31,430	30,150	-5.6
Male-headed	26,355	25,258	22,471	21,934	22,600	-14.2
Female-headed	10,304	9,916	7,832	8,449	7,795	-24.3
White, non-Latino	30,912	31,374	27,156	29,512	27,632	-10.6
Black, non-Latino	18,959	15,806	11,896	13,214	11,088	-41.5
Latino	21,665	21,485	16,853	18,972	16,610	-23.3
Other, non-Latino	25,825	22,975	20,269	27,105	22,842	-11.6
High school dropout	20,019	18,000	12,703	13,702	11,927	-40.4
High school graduate	29,440	28,512	24,385	24,354	23,000	-21.9
Some college	32,949	33,862	30,133	31,620	31,370	-4.8
College graduate	40,156	39,960	38,995	46,517	44,600	11.1

Table 2

ALL OLDER FAMILIES

Median Real Family Income in the U.S., by Type of Family,Race/Ethnic Origin of Household Head, and Educational Attainment of Household Head, All Families Regardless of the Presence of Children (in 1990 dollars)

	1973	1979	1982	1989	1990	Percent Change (1973-1990)
All families headed by persons ages 30-64	$40,889	$40,914	$36,558	$41,633	$40,441	-1.1%
Married-couple	43,718	44,631	40,513	46,477	45,400	3.8
Male-headed	34,910	35,100	30,194	32,385	32,522	-6.8
Female-headed	19,307	20,070	17,636	19,985	20,000	3.6
White, non-Latino	43,041	43,200	39,228	44,795	43,920	2.0
Black, non-Latino	23,749	25,020	22,453	26,139	25,828	8.8
Latino	28,760	30,071	24,237	27,879	27,010	-6.1
Other, non-Latino	39,924	39,600	36,590	42,160	42,400	6.2
High school dropout	30,818	28,948	23,803	23,947	23,500	-23.7
High school graduate	41,216	40,374	34,913	37,543	36,278	-12.0
Some college	47,178	44,606	39,672	44,932	44,324	-6.0
College graduate	59,763	58,001	55,253	63,451	61,161	2.3

Table 3

YOUNG FAMILIES WITH CHILDREN

Median Real Family Income in the U.S., by Type of Family, Race/Ethnic Origin of Household Head, and Educational Attainment of Household Head, Families With One or More Children Younger than 18
(in 1990 dollars)

	1973	1979	1982	1989	1990	Percent Change (1973-1990)
All families with children headed by persons younger than 30	$27,765	$25,204	$20,378	$20,665	$18,844	-32.1%
Married-couple	30,947	30,496	26,750	28,279	27,000	-12.8
Male-headed	18,547	16,531	15,165	17,907	16,000	-13.7
Female-headed	9,962	9,360	7,393	7,471	7,256	-27.2
White, non-Latino	29,475	28,246	23,719	24,858	23,000	-22.0
Black, non-Latino	17,958	14,371	9,613	11,677	9,286	-48.3
Latino	19,704	19,213	14,894	16,463	14,200	-27.9
Other, non-Latino	25,825	22,336	17,873	22,217	15,908	-38.4
High school dropout	18,842	16,213	11,271	12,543	10,213	-45.8
High school graduate	28,410	26,298	21,252	21,650	20,000	-29.6
Some college	31,710	30,892	27,270	26,666	27,000	-14.9
College graduate	37,757	36,900	36,152	42,181	38,700	2.5

Table 4

OLDER FAMILIES WITH CHILDREN

Median Real Family Income in the U.S., by Type of Family, Race/Ethnic Origin of Household Head, and Educational Attainment of Household Head, Families With One or More Children Younger than 18
(in 1990 dollars)

	1973	1979	1982	1989	1990	Percent Change (1973-1990)
All families headed by persons ages 30-64	$41,068	$39,978	$35,293	$39,525	$38,451	-6.4%
Married-couple	44,160	44,370	40,043	45,221	44,300	0.3
Male-headed	32,678	31,068	27,080	27,615	27,114	-17.0
Female-headed	16,545	17,793	14,926	16,126	16,000	-3.3
White, non-Latino	43,571	42,399	38,246	42,845	42,002	-3.6
Black, non-Latino	23,846	23,638	21,163	24,253	23,000	-3.5
Latino	28,336	29,273	23,086	25,296	25,280	-10.8
Other, non-Latino	41,216	40,518	35,475	41,106	41,006	-0.5
High school dropout	30,618	27,414	21,809	21,080	20,000	-34.7
High school graduate	40,038	38,574	33,181	34,736	33,336	-16.7
Some college	46,144	42,606	37,890	42,160	42,050	-8.9
College graduate	58,880	55,800	52,400	59,154	58,150	-1.2

FAMILY POVERTY RATES

Table 5

YOUNG FAMILIES WITH CHILDREN

Family Poverty Rates in the U.S., by Type of Family, Race/Ethnic Origin of Household Head, and Educational Attainment of Household Head, Families With One or More Children Younger than 18

	1973	1979	1982	1989	1990	Percent Change (1973-1990)
All families with children headed by persons younger than 30	15.6%	19.5%	28.3%	28.8%	33.1%	112.2%
Married-couple	6.2	8.2	13.9	12.5	14.8	138.7
Male-headed	16.4	21.1	32.0	24.7	25.9	57.9
Female-headed	59.0	54.8	67.0	63.2	68.1	15.4
White, non-Latino	10.2	12.4	20.4	20.0	23.8	133.3
Black, non-Latino	37.9	43.3	56.1	50.7	57.9	52.8
Latino	27.8	30.8	43.1	39.1	43.5	56.5
Other, non-Latino	22.0	29.0	27.4	33.0	33.8	53.6
High school dropout	32.2	37.9	53.3	50.9	56.6	75.8
High school graduate	11.1	15.5	22.4	24.0	28.0	152.3
Some college	8.1	8.8	15.9	16.7	18.2	124.7
College graduate	2.1	3.7	4.8	4.8	5.8	176.2

Table 6

OLDER FAMILIES WITH CHILDREN

Family Poverty Rates in the U.S., by Type of Family, Race/Ethnic Origin of Household Head, and Educational Attainment of Household Head, Families With One or More Children Younger than 18

	1973	1979	1982	1989	1990	Percent Change (1973-1990)
All families with children headed by persons ages 30-64	8.9%	10.0%	13.9%	11.7%	12.2%	37.1%
Married-couple	4.9	5.4	8.4	6.1	6.3	28.6
Male-headed	11.3	12.9	17.7	15.2	16.0	41.6
Female-headed	36.4	33.5	40.4	35.8	36.8	1.1
White, non-Latino	5.7	6.5	9.5	7.2	7.4	29.8
Black, non-Latino	29.5	28.3	34.0	28.4	29.5	0.0
Latino	18.9	21.1	29.1	26.9	27.5	45.5
Other, non-Latino	9.9	14.2	16.1	16.0	15.2	53.5
High school dropout	18.0	22.9	32.0	33.2	34.6	92.2
High school graduate	6.1	7.9	13.2	12.2	12.6	106.6
Some college	4.1	5.2	7.5	6.4	6.4	56.1
College graduate	1.6	2.3	3.5	2.2	2.5	56.3

CHILD POVERTY RATES

Table 7

CHILDREN IN YOUNG FAMILIES

Poverty Rates Among Children in the U.S., by Type of Family, Race/Ethnic Origin of Household Head, and Educational Attainment of Household Head, Families With One or More Children Younger than 18

	1973	1979	1982	1989	1990	Percent Change (1973-1990)
All children in families headed by persons younger than 30	20.1%	23.8%	33.1%	35.0%	40.0%	99.0%
Married-couple	7.9	10.8	17.6	16.5	19.6	148.1
Male-headed	21.0	22.0	31.9	27.8	28.3	34.8
Female-headed	67.9	61.7	72.7	71.2	76.8	13.1
White, non-Latino	12.1	14.8	23.6	23.6	27.2	124.8
Black, non-Latino	47.4	48.8	60.5	59.0	68.4	44.3
Latino	35.0	36.1	50.4	45.2	51.4	46.9
Other, non-Latino	22.3	33.0	31.3	40.6	34.0	52.5
High school dropout	39.3	44.3	58.9	57.9	64.0	62.8
High school graduate	13.1	19.0	25.7	28.4	32.9	151.1
Some college	8.6	9.6	16.9	19.7	21.4	148.8
College graduate	2.6	4.0	5.5	7.3	6.9	165.4

Table 8

CHILDREN IN OLDER FAMILIES

Poverty Rates Among Children in the U.S., by Type of Family, Race/Ethnic Origin of Household Head, and Educational Attainment of Household Head, Families With One or More Children Younger than 18

	1973	1979	1982	1989	1990	Percent Change (1973-1990)
All children in families headed by persons ages 30-64	11.7%	13.2%	17.5%	14.7%	15.1%	29.1%
Married-couple	6.8	7.4	11.1	8.5	8.4	23.5
Male-headed	8.3	13.4	19.9	18.6	17.1	106.0
Female-headed	46.9	43.9	50.2	44.4	45.9	-2.1
White, non-Latino	6.9	8.2	11.5	8.6	9.0	30.4
Black, non-Latino	36.5	36.7	41.2	36.0	35.1	-3.8
Latino	24.8	26.1	36.0	32.0	32.5	31.0
Other, non-Latino	14.2	19.0	21.2	20.9	20.6	45.1
High school dropout	23.5	29.6	39.5	40.1	41.3	75.7
High school graduate	7.7	10.4	16.4	14.9	15.1	96.1
Some college	4.9	6.5	9.1	8.2	7.7	57.1
College graduate	1.8	2.6	4.2	2.7	3.3	83.3

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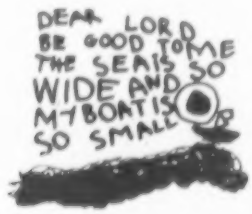

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